

August 3 1989
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FINANCIAL TIMES

GENEVA

US sets a cracking
pace for Gatt

Page 5

No.30,912

Friday August 4 1989

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World News

Tourist airliner crashes in Greece

An Olympic Aviation airliner flying from Salonika carrying 34 people crashed close to mountains on the island of Samos and rescue workers were searching for survivors.

Arms talks progress
US and Soviet differences over how to reduce their strategic nuclear arsenals and on space defence projects have narrowed in "small but significant ways" according to the chief US negotiator. Page 2

AIDS drug success

The AIDS drug Zalcitabine, developed by the UK pharmaceuticals group Wellcome, significantly slows the progress of the disease according to a US clinical trial. Page 14

US Traders indicted

A US grand jury indicted 46 Chicago commodity traders on fraud and racketeering charges in the culmination of a 30-month-long investigation. Page 15

HK airport plan

Hong Kong's Government is planning to announce plans for a new international airport in the early 1990s which will cost around HK\$400bn (£73m). Page 4

Talks in trouble

A potential agreement between India and Sri Lanka over Indian troop withdrawals from Sri Lanka ran into difficulties. Page 4

London bomb blast

One person was killed when an explosion badly damaged the Berkeley House hotel in west London amid fears of an attack by the Irish Republican Army on the capital. Page 4

Race protest widens

South African anti-apartheid groups said they will extend their disobedience campaign to include segregated schools, parks, swimming pools and mining facilities. Page 4

Cambodian call-up

The Cambodian Government, facing a possible civil war after Vietnam withdraws, has introduced three-year compulsory military service. Page 4

Eurotunnel inquiry

French stock market regulators opened an inquiry into trading in the shares of Eurotunnel just before the Anglo-French consortium confirmed rumours of severe cost overruns. Page 2

Trader mutilated

Anti-terrorist police raided an isolated Italian farm and freed Florence coffee trader Dante Belardinelli whose kidnappers had cut off his ear lobes. Page 15

Asylum possible

A senior Interior Ministry official said Hungary might consider granting political asylum to citizens from East Bloc ally East Germany. Page 15

Turkish jail deaths

Two Turkish prisoners died from dehydration in a hunger strike in Aydin, near the Aegean coast, after being moved from the jail at Eskisehir. Page 2

Man bites dog

A man from Hull, on the English east coast, was fined £200 (£320) by magistrates for biting his next door neighbour's dog. Page 15

Business Summary

UK bankers recover \$12m in New York court case

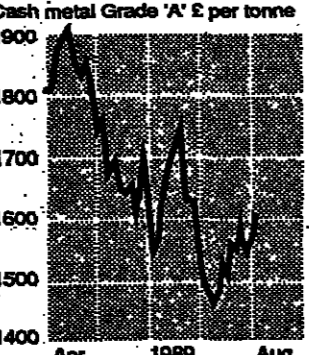
STANDARD Chartered, UK international banking group, has recovered \$12.5m after obtaining a favourable ruling in a closely watched New York court case.

Standard Chartered had received the backing of the British Government, the Bank of England and numerous banking organisations in its fight.

The case arose out of an insider trading scandal involving a Taiwanese dealer alleged to have transferred money to Hong Kong through the Standard Bank's New York branch. Page 3

COPPER prices rose on the London Metal Exchange with the cash quotation closing at \$1,806 a tonne, up \$18 on the day and \$42.50 on the week so far. Dealers said the rise

Copper



was linked to movements on New York's Comex market and currency fluctuations. Commodities. Page 26

WABISILA, Finnish engineering and shipbuilding group, has begun negotiations with the Finnish Government in an attempt to save its marine division, which is one of the largest shipbuilders in Europe, from bankruptcy. Page 15

US EXPORTS: Two influential Republican senators are developing plans to create a US agency to oversee export controls in the hope of ending the bitter inter-agency feud which has slowed governmental approval of sensitive high technology exports. Page 5

S. G. WARBURG, a leading British investment bank, was named by the Takeover Panel, Britain's watchdog on bids and deals, for failing to exercise due care when advising its client, William Low, in an abortive bid for fellow food retailer, Boddens. Page 15

LONG term Credit Bank of Japan plans to set up a joint venture investment advisory company in the US with the Philadelphia investment management group, Miller, Anderson and Sherrard. Page 17

DEUTSCHE Bank, West Germany's biggest bank, announced partial group operating profits of DM1.87bn (£1bn) in the first six months of this year. Page 15

DAIWA Europe, Japanese securities firm, has formed a London-based subsidiary specialising in European mergers and acquisitions. Page 18

RYDER Systems of the US, world's largest truck leasing company, has entered the regulated West German road transport business. Page 5

YASUDA Trust and Banking, Japanese trust bank, and Goldman Sachs, Wall Street investment bank, have forged a co-operation pact in financial futures. Page 18

SUPER 301: 26 Latin American and Caribbean nations have rejected and condemned unilateral sanctions contemplated under the so-called Super 301 provision of the 1988 US trade law. Page 5

BRITISH Airways warned of a "small patch of turbulence" ahead with pre-tax profits of \$36m (£159m). Page 15

Kidnappers freeze death threat to American hostage

By Andrew Gowers in London, Peter Riddell in Washington and Hugh Carnegie in Jerusalem

THE pro-Iranian kidnappers of an American held in Lebanon announced last night that they had "frozen" their threat to execute him in an apparent breakthrough in efforts to resolve the Lebanese hostage crisis.

"We announce the freezing of the execution sentence," said the Revolutionary Justice Organisation, which is believed to be linked to the Shia extremist Hizbollah (Party of God), in a statement sent to Beirut's al-Nahar newspaper.

The statement was accompanied by a polaroid photograph of Mr Joseph Cicippio, the chief accountant of the American University of Beirut, seized on September 12, 1985.

The deadline had been postponed twice since Tuesday. In a 14-line statement in Arabic the group announced that the death sentence had been frozen "out of respect for the intervention by the parties and states with whom America pleaded to mediate and stop the execution."

The group proposed what it called "an initiative" for the release of Sheikh Abdul Karim Obeid, a Lebanese Shia leader abducted from South Lebanon by Israeli commandos a week ago, and Palestinian and Lebanese guerrillas imprisoned in Israel.

But the move followed mounting diplomatic and military pressure by the US to prevent the execution, which would have been the second



Cicippio: death sentence frozen

reported murder of an American hostage in Lebanon this week. It also came after Mr Marrack Goulding, a special UN envoy, had met in Beirut with Sheikh Mohammed Hussein Fadlallah, widely seen as Hizbollah's spiritual mentor, and with Iranian officials. Iran is the main external sponsor of Hizbollah, and has been the principal target of US efforts to prevent further executions.

With the approach of the latest deadline for Mr Cicippio, at 19.00 GMT, the White House had warned that his death would create "a very grave situation." There had also been mounting political pressures on President George Bush for military action against the extremist groups in Lebanon, and possibly against their

backers in Iran, if they murdered Mr Cicippio and other hostages.

NBC News quoted unnamed senior Administration officials as saying that Mr Bush had decided to retaliate against Lebanese Shias and Iran if his diplomacy failed. But Mr Martin Fitzwater, the White House press spokesman, said "no final judgements to that effect had been made."

With US naval forces in the eastern Mediterranean and in and around the Gulf being reinforced, Mr Fitzwater said that the "foundation planning" had been done for every scenario.

The US has pressed every possible diplomatic channel, seeking in particular the help of Iran and Syria to use their influence over various groups in Lebanon holding hostages.

Through intermediaries such as the Swiss and West German Governments, Washington told Tehran that it knew the Iranian Government had exerted influence over Lebanese hostage-takers in the past and that it expected Iran to ensure the safety of US hostages now.

Hojatolislam Ali Akbar Rafsanjani, who was sworn in as Iran's fourth President yesterday, has condemned the killing of Lt-Col Higgins on Monday but said that it was nothing to do with Tehran.

The kidnappers of Mr Cicippio first threatened to kill him on Tuesday unless Israel freed Sheikh Obeid.

A hazardous set of options

HEAVY hints yesterday about possible US retaliation in the event of another hostage murder in Lebanon have left analysts puzzling over America's military options in resolving the current crisis, writes Andrew Gowers. The view among military experts is that they are few and fraught with difficulty.

OPTION 1: A strike against targets in Lebanon. There is no easy target. The whereabouts of the hostages is uncertain, which means that there seems little chance of a successful "snatch" operation by US troops. Any bombardment of Shia Moslem areas or more limited strikes against Hizbollah targets would be certain to cause heavy civilian casualties and quite possibly the death of the remaining Western hostages.

As Mr Don Kerr of the International Institute for Strategic Studies in London put it: "The US Navy can do a lot of window-breaking in Lebanon; the difficulty is undertaking an operation

that is more sharply pointed, that has a real impact on the kidnappers."

OPTION 2: US forces might take aim at the Bekaa valley in eastern Lebanon, which is believed to contain several hundred Iranian Revolutionary Guards and a number of training bases for Hizbollah fighters. But this, too, would be wide of the main target. American officials will also be mindful of the presence of recently modernised Syrian and aircraft batteries in the area.

OPTION 3: Direct action against Iran, seen as the external sponsor of Lebanon's kidnap gangs. The consequences would be incalculable, but probably adverse for Washington and beneficial to hardliners in Tehran who thrive on confrontation. Some analysts believe the Iranian Government's hand could be more easily forced by the inconvenience of political or economic sanctions than by military action. But such things take time to arrange.

GEC/Siemens relaunch hostile bid valuing Plessey at £2bn

By Hugo Dixon in London

THE GENERAL Electric Company, of the UK, and Siemens of West Germany yesterday relaunch their hostile bid for Plessey, valuing the smaller British electronics company at £2bn.

They said the £200 per share offer would not be increased under any circumstances. The Anglo-German consortium has no difficulty in buying a further 113m Plessey shares at the offer price in the market-place, taking its shareholding from 14.4 per cent to 29.9 per cent.

Under takeover rules, it cannot increase its stake further until three weeks after posting an offer document, which is expected soon.

By making a final offer at below the prevailing price in the market, GEC and Siemens were taking a risk that institutional shareholders would reject the bid and back an independent Plessey.

However, their gamble last night appeared to have paid off, with Plessey's share price

closing 9p down at 287p. "It looks as though Plessey haven't got anything up their sleeve, so it is all over bar the shouting," said Mr Rob Collins, an analyst at Kleinwort Benson Securities.

Asked at a press conference how determined the consortium was to acquire Plessey, Lord Weinstock, GEC's managing director, said: "We are determined to the extent of £2bn of folding money."

Mr Stephen Walls, Plessey's managing director, argued that the price was so low that it would demonstrate the greater value of keeping Plessey independent.

He also argued that the ease with which GEC/Siemens had acquired a further 15 per cent of Plessey was not a bell-weather for shareholder sentiment, claiming that many of the sellers were arbitrageurs. However, it is understood that most of the shares were actually acquired from institutional shareholders.

The shape of the final offer is

Five-year plan for converting the rouble proposed

By David Lascelles, Banking Editor, in London

A NEW five-phase plan to transform the Soviet rouble into an internationally convertible currency and draw the Soviet economy into world markets was proposed yesterday by a group of Soviet and Western economists.

Their plan, prepared at the instigation of the Soviet Council of Ministers, foresees a timetable of 10-15 years, but would require major changes both in the Soviet financial system, and western trade policy.

The seven-man team, including three members of the Soviet Institute for the Study of the USA and Canada, and four economists from North America and Europe, says that the starting point for convertibility is the hard currency auctions which Moscow already holds for organisations involved in foreign trade in manufactured goods.

As a first step, these currently artificial auctions would be transformed into genuine ones where hard currency goes to the highest bidder. Next, the auctions would be widened to include firms which export fuels, minerals and natural resources.

In the third phase, co-operatives, private enterprises and Soviet-western joint ventures would be allowed to participate, bringing the auctions closer to genuine foreign exchange markets with daily exchange rate fixings. At this stage, banks would also increasingly play a role by buying foreign exchange for smaller entities.

In phase four, households would receive the right to hold foreign currency, but they will deal through intermediaries rather than directly with the market, enabling the Government, if it wishes, to run a two-tier exchange rate.

In the final phase, foreigners obtain the right to exchange roubles freely and gain access to the foreign exchange market.

Dr Michael Claudon, president of the Vermont-based Geonomics Institute which helped prepare the report, said while the Soviet and Western economists were optimistic that the rouble could be made convertible, they disagreed on the timetable. The Russians saw the process taking 10 years, westerners thought it would need 15.

Doctoring the economy, Page 14

Britain's third biggest bank loses £531m

By David Barchard in London

MIDLAND Bank, Britain's third largest, yesterday disclosed losses of £531m (£861m) in the first half of this year, after a week in which mid-year results for the country's other leading banks had been hit by Third World debt problems.

Midland, however, was the only one of the Big Four - Barclays, National Westminster, Midland and Lloyds - to declare a loss.

The bank was hit not only by continuing Third World debt problems, which forced it to set aside \$1.4bn in provisions against losses, but also by a steep fall in profits at Midland Montagu, its corporate banking and global investment arm.

Sir Kit McMahon, Midland's chairman, said the bank had decided to "bite the bullet" by making heavy provisions against Third World debt.

Midland has now assigned sufficient funds to cover 50.4 per cent of its total lending to problem countries of £7.93bn. This puts it a whisker ahead of the other three large clearing banks which have made provisions of around 48 per cent.

However, the scale of Midland's problem remains bigger than those of its competitors. Lloyds has the largest problem country debts after Midland with \$6.9bn, while NatWest and Barclays' exposure is much lower at \$4.6bn and \$3.2bn.

The banks have been forced to resume making heavy provisions against loan losses by

worsening conditions in several leading debtor countries in Latin America.

Yesterday Sir Kit denounced the US proposals under the Brady Plan for settling Mexico's debt problems as "ill-conceived and destabilising" and said it ought to have been backed up by public money.

The Brady plan, drawn earlier this year by Mr Nicholas Brady, the US Treasury Secretary, aims to forgive more than a third of foreign debts owed by some developing countries. On the Brady Plan's proposals to reduce Mexico's debt to international banks by 35 per cent, Sir Kit warned: "We do not believe in debt forgiveness for on-going debtors" and said it might encourage worse behaviour by other countries.

The other shock for Midland was the tumble taken by Midland Montagu where profits fell from \$182m a year ago to only \$33.3m in the first six months of the year, after trouble on several fronts.

Bad debts including fraud obliged it to make provisions of \$89.6m, while its Treasury and money markets operations lost large amounts of money after misjudging the way interest rates would move in the first half of this year.

Only Midland's domestic banking operations in the UK performed well, with high levels of lending to small and medium businesses helping push up UK banking profits by 27 per cent on last year to \$424m.

Lex, Page 14

Bank of England comes to defence of sterling

THE BANK of England was yesterday forced to defend sterling after confidence in the pound was undermined by the prospect of up to £2bn (£3.8bn) of currency sales by the UK's four big clearing banks, writes Simon Holberton.

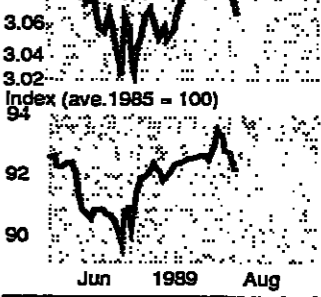
The sales, which were booked through the foreign exchange market over the past couple of weeks, were needed by the banks to fix in their financial accounts the sterling value of the provisions they have announced for possible losses on Third World loans. These loans are mostly US dollar denominated.

The move was designed to

Continued on Page 14

Sterling

against the D-Mark (DM per £)



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MARKETS

STERLING New York lunchtime: \$1.635 London: \$1.643 (1.668) DM1.065 (3.02) FF1.3875 (10.435) SF1.64 (2.647) Y225 (225.5) £ index 92.0 (92.7)	DOLLAR New York lunchtime: DM1.874 SF1.6150 Y157.55 London: DM1.865 (1.8515) FF1.3225 (6.2725) SF1.6065 (1.602) Y138.4 (138.4) £ index 98.8 (98.4) Tokyo close: Y136.40 DJ Ind. Av. US LUNCHTIME RATES Fed Funds 8 1/8 % 3-mo Treasury Bill: yield: 7.687 % Long Bond: yield: 7.889 %	STOCK INDICES FT-SE 100: 2,906.3 (-1.5) FT Ordinary: 1,924.0 (+0.1) FT-A All Share: 1,176.27 (-0.1 %) FT-A long gilt yield: 9.41 (9.37) Index high coupon: 9.41 (9.37) New York lunchtime: DJ Ind. Av. 2,863.73 (+5.68) Tokyo Nikkei: 34,779.81 (-119.33) LONDON MONEY 3-month Interbank: closing 12 1/8 % (bank)
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Tackling the Augean stables of Soviet state finances

Valentin Pavlov (left) has inherited the most unpopular portfolio in the new Soviet Government. As finance minister, he must introduce sweeping tax reforms and equally drastic cuts in

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Norway: US retreat puts pressure on Nato's northern front

Tokyo: Japan will transfer technology to EC in response to 1992

Management: Corporate clothing - Uniformity in pursuit of a sharper identity

Editorial comment: Italy's role in Europe; an arts policy in disarray

Lombard: The irrelevance of micro reform

Lex: GEC, Midland, de la Rue, British Airways, Wellcome

Digital audio tapes: Why the pirates will strike a wrong note

AMERICAN NEWS

Bolivian losers reach for presidency

By Barbara Durr
in La Paz

THE BOLIVIAN parliament was expected yesterday to elect as president Mr. Jaime Paz Zamora, candidate of the centre-left Revolutionary Left Movement (MLR), who came only third with 19.6 per cent of the poll in the popular election on May 7.

The MLR agreed on Wednesday to form a national unity government with retired General Hugo Banzer, chief of the conservative Democratic Nationalist Action (ADN).

The choice went to parliament because, on May 7, no candidate secured a majority. A new president is to be installed on Sunday.

Mr. Banzer (with 22.7 per cent) and Mr. Paz Zamora came respectively second and third in May.

Mr. Gonzalo Sanchez de Lozada, candidate of the ruling centre-right Revolutionary Nationalist Movement (MNR), then had the most votes - 23 per cent. However, he was unable to persuade either of the other two men to give him



Pragmatism buries another hatchet: Hugo Banzer (left) and Jaime Paz Zamora shake hands on their unlikely political pact enough votes in parliament.

The irony of the Banzer-Paz Zamora alliance is that the former, when military president for most of the 1970s, persecuted the MLR and jailed many of its members.

It was understood that, under the accord, the ex-general had secured for his party the key finance, foreign affairs and information ministries. Mr. Banzer's vice-presidential candidate, Mr. Luis Ossio of the Christian Democratic party, will now be offered to parliament as Mr. Paz Zamora's vice-president.

Mr. Banzer said his alliance

with the MLR constituted "the greatest guarantee for economic and financial stability. We urge those holding unfounded fears to forget them." This was an attempt to calm the country's political and economic uncertainty. In recent days, some \$80m have been withdrawn from banks.

Mr. Paz Zamora, whose party belongs to the Socialist International but is much changed from its left-wing militancy of the 1970s, also tried to allay financial worries by promising continuity from the austerity policies of the outgoing President Victor Paz Estenssoro.

Veto threat to Savings and Loans rescue bill

By Peter Riddell
in Washington

PRESIDENT George Bush yesterday threatened to veto a bill aimed at rescuing the Savings and Loans industry, in an attempt to intensify pressure on Congress to drop its insistence on including the initial costs of the bail-out in the federal Budget.

Mr. Bush said it was essential to resolve the dispute this week before Congress starts its month-long summer recess. He complained that delays in the legislation have meant that insolvent Savings and Loans bodies have amassed losses of \$60m (\$3.8bn) since the administration first proposed rescue legislation on February 22. He asked Congress to act within 45 days.

The argument is about how the initial cost of the rescue should be insulated from the rest of the budget.

The Bush administration favours putting it off-budget in a special bill, borrowing \$44bn - with \$6bn coming from the Savings and Loans industry.

However, Congress has proposed including this cost within the budget and exempting it, under a special waiver, from the Gramm-Rudman deficit reduction law.

In a letter to Congressional leaders yesterday, Mr. Bush said that "exempting \$44bn in spending from the budget process would be unprecedented. It would also seriously undermine the future value of Gramm-Rudman as a source of budgetary restraint, risking adverse effects on both markets and the economy."

He said he was "prepared to work with Congress to bridge the divergent positions on the financing issue" so as to preserve budgetary discipline.

The main administration concern is over the danger of setting a precedent for later waivers of the law.

Senator George Mitchell, Democratic Party majority leader in the Senate, said the president's desire to exclude the bail-out costs from the federal budget was "fiscal gimmickry at its worst" and would add \$5bn to the interest costs of the rescue.

Mexico offers tax breaks for repatriation of flight capital

By Our Foreign Staff

MEXICO has announced special tax treatment for investment returning to the country, in an attempt to lure back flight capital.

A recent agreement on reducing the country's \$100bn foreign debt "has generated confidence in Mexico and desire among many investors to repatriate their capital," the Mexican Treasury said on Wednesday.

Officials hope the debt reduction agreement signed with foreign creditor banks last month will reduce economic uncertainty and stimulate private investment needed to revive Mexico's economy.

The new rules stipulate that

CAPITAL FLIGHT (\$bn)

	1980	1982	1987
Baker 15	76	128	295
Argentina	11	35	46
Brazil	5	8	31
Mexico	19	44	84
Philippines	11	19	23
Venezuela	15	33	58

Compounded value of flight capital assets returning pre-tax return of 8-month Libor. 15 principal middle-income less-developed countries in financial difficulties, as targeted by former US Treasury Secretary James Baker.

Mexican residents who deposited funds abroad before Wednesday of this week will be liable for a modest tax on interest and dividends received.

A maximum rate of 5 per cent will be applied to deposits made abroad before December 1984, and a rate of 3.7 per cent will apply to those made in 1985. Funds invested abroad from 1986 onward will not be liable to tax.

Those liable may authorise commercial banks and brokerage houses to retain the relevant tax on returning capital. This payment will extinguish all claims pending on capital invested abroad for the stated periods.

Morgan Guaranty Trust, one of the main creditor banks for Mexico, estimates that \$40bn in capital left the country in 1977-1987.

Debt accord may save \$1.2bn

By Richard Johns in Mexico City and Peter Riddell in Washington

THE agreement between Mexico and the commercial banks, on a reduction in its debt, may only involve an annual saving of about \$1.2bn, depending on which options the banks take up, according to calculations in Mexico.

There are three options open to banks participating in the agreement: To provide new money; reduce principal by 35 per cent; or lower the interest rate they charge to 6.25 per cent.

Mr. Alan Greenspan, chairman of the US Federal Reserve, told a Congressional committee this week that the Fed has undertaken a bank-by-bank analysis which suggested that a little more than 20 per cent of the accord would be new money.

The US Treasury scenario for the three options is that 20 per cent of the banks will opt to exchange loans, at a 35 per cent discount, for 30-year US Treasury zero-coupon bonds, and that 60 per cent of them will opt for similar paper at par value but paying only 6.25 per cent.

The latest edition of the respected newsletter Ecanal says that the gains would be greater if a proportion higher than the expected fifth of the 530 banks were to choose a reduction in principal.

In assessing the net savings to Mexico of the deal, Dr. Rogelio Ramirez de la O, author of Ecanal, emphasises the heavy

cost of the collateral to be provided by the International Monetary Fund, the World Bank and Japan, as well as Mexico's own contribution to the \$7bn to be used to guarantee interest payments.

Ecanal also underlines that the new deal only applies to \$47bn of the \$53bn covered in the negotiations with the banks. Excluded is \$6bn of debt contracted after 1983 - this has been rescheduled with repayment spread over 15 years with seven years of grace.

On the basis of the US Treasury and Fed projections, the cost of collateral for the deal would be about \$2.7bn annually - \$2.2 bn for interest reduction and \$490m for principal reduction. In addition, interest foregone in funds use as collateral would be more than \$700m, according to Dr. Ramirez's formulation.

Under the same hypothesis, with 20 per cent of banks choosing to grant new loans equivalent to 25 per cent of their current exposure, Mexico could expect \$2.55bn in fresh credit over a four-year period. Ecanal calculates the annual sum of savings and credit over four years from mid-1989 to be \$2bn gross or about 1 per cent of GDP.

The Government's target is to reduce the net transfer of resources from more than 6 per cent of GDP to 2 per cent. It defines the net transfer of

resources as the balance on the current account less foreign interest payments. The figure of 6 per cent was based on the average net transfer of resources over a six-year period during the last administration, which dropped from 13.5 per cent in 1983 to 3.4 per cent in 1988.

So Mr. Pedro Aspe, Mexico's Finance Minister, was able to forecast last week - with such a modest gain in prospect from the debt reduction - that net transfers would fall to 2.7 per cent in the first year, starting July 1 in 1989-90, 2.5 per cent in 1991-2 and 2.3 per cent in 1994-5.

The big question for foreign bankers in Mexico is how many of the creditor banks will turn out to be "free riders" rejecting the agreement and insisting on Mexico honouring its existing obligations.

Ecanal points out that a potential weakness of the accord is the lack of any base date for measuring the exposure of each bank. As a result, Mexican paper can continue to change hands until the day the operation is closed, a tentative date being next November. As it is, about 15 per cent of Mexican sovereign debt is believed to have been traded in the secondary market.

The exact figures for banks taking up each option will be known later this year when commercial bank creditors reach their decisions.

Bank wins 'double jeopardy' appeal

By David Lascelles,
Banking Editor

STANDARD Chartered, the UK international banking group, has recovered \$12.5m after winning a closely-watched New York court case involving a clash of jurisdictions.

The case arose out of an insider trading scandal involving Mr. Fred Lee, a Taiwanese dealing in New York, who transferred the disputed sum of money to Hong Kong through the Standard Bank's New York branch.

Last August, the Securities and Exchange Commission obtained an order requiring Standard to pay into court money which it held in Hong Kong for various customers, including Mr. Lee. Standard paid under protest, knowing it might be exposed to proceedings by the accountholders in Hong Kong.

Standard appealed against the order on the grounds that it was an innocent bystander and was in danger of double jeopardy. Three weeks ago it won the appeal plus costs, but the ruling was not announced until yesterday for technical reasons.

The case attracted considerable attention in government and banking circles because it implied that any foreign bank with a branch in the US might be required by a US court to pay money lodged anywhere outside the US. That would give US courts an extraterritorial jurisdiction which other countries could not accept.

Standard had been backed by the UK government, the Bank of England and numerous banking organisations.

US index down

THE US government's index of leading economic indicators declined 0.1 per cent in June, after a sharp 1.3 per cent fall in May, the Commerce Department said yesterday. Reuter reports from Washington.

The index has declined in four of the past five months, and for two months in row. Three consecutive declines, with some exceptions, have signalled recessions.

Congress split on defence funds

By Peter Riddell, US Editor, in Washington

THE Senate and House of Representatives, both Democrat-controlled, have approved sharply contrasted US defence budgets for the coming year. They contain big differences in nuclear weapon priorities.

A Senate-House conference will resolve the differences in negotiations a month hence, and Senator John Warner, senior Republican on the Senate Armed Services Committee, has said it will be "the most difficult conference in a decade."

Both chambers have backed the administration's request

for total spending of \$90.5bn in fiscal 1990, which starts this October, the disagreement is over details.

In particular, the House substantially reduced funding for key elements of the administration's nuclear strategy, such as the B2 stealth bomber and the Strategic Defence Initiative, while limiting expenditure on putting the multiple-warhead MX missile onto rail wagons to cover just research, not production. The House also gave no money for development of the single-warhead Midgetman.

Further, the chamber bowed to strong constituency pressure in providing money for the Navy's F-14 fighter aircraft and the V22 Osprey vertical take-off aircraft for the Marines, neither of which the Defence Department wants.

Under the influential lead of Senator Sam Nunn, Armed Services Committee chairman, the Senate created a version much nearer to that of the administration, especially on strategic weapons. However, it refused to give unqualified long-term support to the B2 project and insisted that the bomber needed to fulfill flight and radar-evade tests.

The Senate also agreed with the administration in providing no money for more F-14 fighters and agreed only to testing of the V22 Osprey, rather than full production, as approved by the House.

US DEFENCE BUDGET OPTIONS			
	Administration	Senate	House
B2 Stealth	\$4.7bn	\$4.7bn	\$3.7bn
SDI/Star Wars	\$4.5bn	\$4.5bn	\$3.1bn
MX on rail cars	\$1.1bn	\$1.1bn	\$600m
Midgetman	\$100m	\$100m	Nothing
F14 fighters	Nothing	Nothing	230m
V-22 Osprey	Nothing	\$255m	\$508m

All figures are for fiscal 1990

A message from Lloyds Bank to Abbey National Shareholders

Lloyds Bank sincerely apologises to Abbey National plc, to those shareholders who were previously inconvenienced by errors at Lloyds Bank Registrar's Department and those who are still awaiting their share certificates and refund cheques.

It is now evident that a significant number of certificates were destroyed by fire at a mailing house involved in the despatch of letters to shareholders. The Police are investigating and every effort is being made to establish the number and precise identity of the documents involved.

If you have already sent in a coupon or share replacement form take no further action. If not, please complete the coupon below.

Lloyds Bank will consider claims for out-of-pocket interest costs from shareholders receiving replacement refund cheques. Claim forms will be sent with the replacement certificates/replacement refund cheques. Shareholders should note that Abbey National will pay interest (back dated to 12 July) on all refund cheques paid into Abbey National investment accounts.

The verification process is bound to take some time but Lloyds Bank is doing all it can to trace the missing documents and to bring this unprecedented problem to a speedy conclusion.

Every effort will be made to issue replacement certificates and replacement refund cheques within two weeks of the receipt of requests.

Action for shareholders is detailed below.

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Dated this _____ Day of _____ 1989 Signature _____

OVERSEAS NEWS

Japan will transfer technology to EC in response to 1992

By Stefan Wagstyl in Tokyo

JAPANESE companies will respond to the 1992 economic integration of the European Community by transferring technology to Europe in order to avoid trade friction, says a report from the Industrial Bank of Japan.

Japanese groups will do this by shifting to the EC core production processes, design and research and development centres and nurturing local suppliers. The transfers will be greatest in mass-production industries where there is the greatest gap between Japan and Europe - cars, consumer electronics, electronic parts and office equipment, says the IBJ report.

As a result, business links between Japan and Europe will be strengthened through increased investment in the EC by Japanese companies. The bank's hard-hitting report says the EC states will naturally attract a protective shield of various barriers to their weakest industries. It says Europe is strong in industries which rely on traditional technologies, including food, chemicals and pharmaceuticals, and those which deliver made-to-order products, such as machine tools and construction machinery.

But in mass-production industries EC companies are inferior in competitiveness to their Japanese counterparts. "These industries are strategically important to the economy of a country, hence the rising

conflicts between the EC and Japan," says the IBJ. The report singles out several reasons for Europe's industrial weaknesses. It says the small size of national markets has hamstringing companies except for those such as chemicals groups which became multinationals at an early stage in development. Governments have exacerbated the problem by nurturing national leaders in key industries leading to "monopolistic market structures, killing market forces in a country while leading to an overcrowding of companies in the Community".

IBJ says European culture, which retains a strong emphasis on class distinctions, encouraged the production of high-quality hand-made products for individual customers rather than mass-production. Conservative managers made things worse by diversifying late into new technologies and insisting on state-of-the-art products.

In this context, the bank forecasts Japanese companies will be welcome in the EC in proportion to the size of their technology transfers. Creating jobs will not be enough, says IBJ. Only the best-regarded Japanese groups will be able to cope with the "great management burden" of dealing with the EC's requirements.

"IBJ Review: EC 1992 and Japanese Corporations, IBJ, 1-3-3 Marunouchi, Chiyoda-ku, Tokyo.

S African groups extend disobedience campaign

By Paul Waldmeir in Johannesburg

SOUTH African anti-apartheid groups have said they will extend their civil disobedience campaign to include segregated schools, parks, swimming pools and mining facilities, after the success of Wednesday's challenge to white-only health care.

A spokesman for the National Union of Mineworkers (NUM) said the campaign could involve stoppages on the mines, where the NUM claims racial segregation is still found in areas such as wage policy, conditions of employment and housing, as well as in lifts, toilets, changing rooms and sports facilities.

Anglo American, one of the largest mines employers, denies it practices segregation on the basis of race.

Black sporting bodies also warned that next year's rebel tour of South Africa by English

cricketers could also be a target for disruption. Wednesday's hospital protest, which was well organised and non-violent, appeared to mark a significant departure from the anti-apartheid opposition's previous strategy of mass mobilisation.

Three years of mass demonstrations and restrictions on political activity under the state of emergency have clearly forced a reappraisal of the strategy of protest politics, with the opposition now appearing to favour a more targeted and controlled approach.

The campaign is timed to coincide with the run-up to general elections in September, which exclude black participation. A so-called "workers' summit" is due to be convened later this month to decide whether the campaign will culminate in a general strike.

Madagascar agrees \$3m debt-for-nature deal

By Nancy Dunne in Washington

A \$3m debt-for-nature swap has been agreed with the Central Bank of Madagascar, seven commercial banks and US agencies.

The deal, announced yesterday by the World Wildlife Fund and the US Agency for International Development (USAID), is likely to be the first in a series of similar projects in Africa to promote conservation efforts while reducing developing country debt.

Seven commercial banks from five countries, led by Bankers Trust Company, are participating in the swap which pays out 45 cents on the dollar of Madagascar debt.

The US foreign aid agency will underwrite up to \$1m of the funding costs as part of a

larger debt-for-development programme launched last year. The banks participating in the swap, besides Bankers Trust and National Westminster of the UK, Dresdner of West Germany, Amro of the Netherlands, Banque de l'Union Européenne, Credit Commercial de France and Société Générale de France.

Madagascar, the world's fourth largest island and one of its poorest countries, is considered by environmentalists to be a "living laboratory of evolution."

Thousands of species have been lost over the centuries including the elephant bird, giant tortoise, and the pygmy hippo.

Hong Kong to go ahead with airport in early 1990s

By John Elliott in Hong Kong

HONG KONG'S Government is planning to announce in mid-October that it will build a new international airport in the early 1990s which will cost around HK\$600m (\$460m) and will give the colony's economy an urgently needed medium-term boost.

This will replace highly congested facilities at the existing Kai Tak airport, which is the sixth busiest airport in the world in terms of passengers handled and will reach its maximum runway capacity in 1991.

Sir David Wilson, the governor, will announce the new airport in his annual speech at the opening session of the colony's legislative council. The decision to go ahead has been put off for many years. Now it is seen by the Government as an important boost for Hong

Kong's confidence and economy in the wake of recent events in China.

An expected decline in economic growth this year has worsened in the aftermath of the Tiananmen Square massacre because of Hong Kong's close links with China's economy. Financial analysts are suggesting that the rate of growth in gross domestic product will drop this year from an expected 6 per cent to 7 per cent in real terms to between 4 and 5 per cent, compared with 7.3 per cent last year and 13.8 per cent in 1987.

Sir Piers Jacobs, financial secretary, says that an estimate of 4.8 per cent made by the Hang Seng Bank for this year is "not unduly pessimistic".

Analysts are predicting a

further decline to between 2.5 and 4 per cent next year when Hong Kong is expected to be hit harder by China's economic problems. But Sir Piers says that he is sticking to a planning assumption of 6 per cent growth for the next five years because of the expected impact of infrastructure projects from about 1991 onwards.

These projects include the airport, with allied large scale road and other facilities, a new container port, and other public works. The favourite site for the airport is on partially reclaimed land adjacent to an inlet called Chek Lap Kok north of the large island of Lantau. There would be space for two international-length runways, although only one might be constructed in the first stage. The target opening

date is 1997.

Schroders Asia, the Government's financial advisers, has produced a private report which says that the project is commercially viable and that international financial markets could be expected to contribute despite the recent events in China.

The Government aims to have a three to one debt-equity ratio and does not expect to have to provide guarantees. It hopes to use some money from a HK\$12bn fund which is being built from proceeds of government land auctions to provide substantial reserves for the new administration which will run Hong Kong after China regains sovereignty in 1997.

The Government has always expected to have to use such projects to pump prime the

economy in the early 1990s when private sector investment is expected to fall off as the 1997 approaches. This has become more urgent following the recent events in China.

Hong Kong's economy is closely linked to China because of its role as an entrepôt. There are also some 2m workers employed by subcontracting factories in the southern province of Guangdong processing goods for Hong Kong companies.

The cyclical slowdown in the economy before the June events is demonstrated by figures for the first half of the year which show that Hong Kong's domestic exports rose by only 3 per cent compared with 10 per cent in the second half of last year. Re-exports of goods being processed in China

rose by 38 per cent compared with 46 per cent.

In the first half of this year re-exports amounted to 61 per cent of total exports compared with 65 per cent last year.

There are some advantages for Hong Kong in the slow-down because the colony's economy was overheated. Some of the pressure on the tight labour market has eased, although employers still say there are seriously short of labour and want to be able to import unskilled workers.

The Government is only preparing a report on skilled workers and yesterday announced that it is allowing companies to bring in 2,325 people for the construction, engineering and electronics industries. About 75 per cent of them will come from China.

Douglas back in NZ Cabinet

By Terry Hall in Wellington

MR Roger Douglas, New Zealand's former minister of finance who was sacked by Prime Minister David Lange for disloyalty eight months ago, was yesterday re-elected to the Cabinet by fellow MPs.

It is not known what portfolio Mr Douglas will be given, but Mr Lange has said it would be a low-ranking one away from the economic area.

His return to the Cabinet comes after a pledge of loyalty to Mr Lange. But he also promised to continue to press for his own policies which are at odds with the social welfare and industrial targets of the Prime Minister.

The bitter wrangling is expected to continue. This could prove unsettling in the long term to financial markets.

Mr Douglas, who lent his name to Rogernomics, the reform programme of the Labour Government, was dismissed after a year-long struggle which began when the Prime Minister rejected his economic package.

When Mr Douglas said publicly he could not work in a Cabinet led by Mr Lange, he was dismissed. Since then he has been involved with Mr Richard Prebble, a fellow sacked minister, in two bids to overthrow the prime minister.

After surviving a vote against him in June, which he won by some eight votes, Mr Douglas nevertheless said he would allow MPs to vote for a new Cabinet. Mr Douglas made a last-minute decision to agree to nomination saying he had been pressured by MP supporters to stand.

A group of Douglas supporters believed that Labour needed him in the Cabinet to help its re-election prospects, to push its economic policies, and to ease the row with Mr Lange which they believed was electorally damaging. They appeared to ignore the latest polls which show a sharp surge in support for Mr Lange and the Labour Party.

Cape Town ivory haul

SOUTH African police said yesterday they seized ivory taken from at least 53 illegally slaughtered elephants as it was delivered to Cape Town for export. Reuter reports from Johannesburg.

The newly-formed Endangered Species Protection Unit and conservation officials seized 106 elephant tusks and a rhino horn on Wednesday in the biggest police haul of illegal ivory, police chief Commissioner Henne de Witt said.



President Rafsanjani (left) and Ayatollah Khomeini (right) listening to the reading of a decree confirming the new president yesterday.

Iran's new president faces growing pressure on hostages

By Kamran Fazel in Tehran and Victor Mallet in London

HOJATOLESLAM Ali Akbar Hashemi Rafsanjani, the most powerful man in Iran, was sworn in as executive President yesterday in the midst of the Lebanese hostage crisis and the related power struggles in Iranian politics.

Although regarded in the West as a pragmatist who will gradually moderate the radical Islamic stands taken by the late Ayatollah Khomeini, Mr Rafsanjani reaffirmed his revolutionary credentials in an emotional speech.

"Despite the poisonous propaganda saying the Iranian nation is setting its hopes on a new era, I am confident that we and our people will accept nothing but the path of Imam (Khomeini), which is the path of Islam and the Koran," he said at the ceremony in a mosque attached to Khomeini's north Tehran home.

Mr Rafsanjani made no mention of the hostage issue in yesterday's speech, which was probably directed at his domestic audience, but he is under intense international pressure to intervene to save the hostages. The US has made appeals to Iran through intermediaries such as West German and French embassies in Tehran, and has not ruled out use of force against Iranian targets.

Mr Rafsanjani was sworn in only hours before the expiry of a two-week deadline for the "execution" of Mr Joseph Gligo, a US hostage, by a pro-Iranian group in Lebanon.

The new President and his allies have sought to dissociate Iran from the kidnapping and killing of hostages in Lebanon, but they face public opposition from within the ranks of the Iranian Government. It is no surprise therefore that Mr Rafsanjani is expected to drop at least one hardliner when he names a new cabinet after the Iranian parliament reconvenes in mid-August following the summer recess.

Hojatoleslam Ali Akbar Hashemi, the Interior Minister who helped to set up the radical Lebanese movement Hizbollah, could be replaced by Hojatoleslam Mostafa Mousavi, his old rival and predecessor in the job. Hizbollah has been linked to a series of kidnaps in Lebanon and was established with Iranian assistance in 1982, when Mr Mohtashami was ambassador to Syria.

After Israeli kidnapped Sheikh Abdul Karim Obaid, a Shia Muslim leader in south Lebanon, last week, Mr Mohtashami suggested retaliation against the US and Israel. Subsequently a Lebanese Shia

group thought to be tied to Hizbollah announced the hanging of US hostage Lt Col William Higgins.

Among those ministers expected to stay in the Cabinet is Dr Ali Akbar Velayati, the comparatively moderate Foreign Minister. Mr Rafsanjani is committed to rebuilding the Iranian economy following the damaging eight-year war with Iraq, and is expected to seek assistance from the West as well as from the Soviet Union.

Whatever the intentions of Mr Rafsanjani and his chief ally, the new revolutionary leader Ayatollah Ali Khomeini, their room for manoeuvre is evidently limited by Khomeini's radical political legacy. A joint statement by Mr Rafsanjani and Mr Mohtashami, the visiting Soviet Foreign Minister, condemning the killing of Col Higgins was reported by the Soviet news agency Tass but ignored by most of the Iranian media.

Mr Rafsanjani was installed as President at a gathering presided over by Ayatollah Khomeini. It was Khomeini's son Ahmad who read out the Ayatollah's endorsement of Mr Rafsanjani in his post, another sign Ahmad has been co-opted by the demagogue controlling Iran.

Palestinians edge closer to Israeli Labour

By Hugh Carnegie in Jerusalem

LEADING Palestinians in the occupied territories and the Israeli Labour Party appear to have signalled converging positions on proposals for elections in the West Bank and Gaza Strip during a visit by a senior US State Department official.

A tacit agreement between them on conditions for holding elections would step up the pressure on Mr Yitzhak Shamir, the Prime Minister, whose right-wing Likud party takes a much harder line on the election proposal than its Labour coalition partners.

Last month, Labour threatened to bring down the Government because of the Likud stance on the Government's peace initiative which envisages elections being followed by interim Palestinian self-rule and eventual negotiations on a final settlement. The party was persuaded to back down by assurances by Mr Shamir that he intended to press forward with the initiative.

More than a dozen prominent local Palestinians yesterday presented a memorandum on the Israeli proposal to Mr

John Kelly, the visiting US assistant secretary of state. In it they rejected the plan as it stands. They said an election agreement must include a commitment to Palestinian self-determination and called on the US to support Washington's commitment to an exchange of land for peace as the basis of a settlement.

Unlike Likud, which refuses to countenance any territorial concessions, Labour policy includes a land for peace formula - though not the return of all lands captured by Israel in

the 1967 Six Day War.

In another significant development, Mr Shimon Peres was quoted as telling Mr Kelly in a meeting on Wednesday that he would not object to "two or three" Palestinians from outside the occupied territories being included in a Palestinian team to negotiate terms for elections. This idea, put forward in talks with the US by the Palestine Liberation Organisation, has been dismissed out of hand by Mr Shamir and also rejected by Mr Yitzhak Rabin, the Labour Defence Minister.

Arafat reasserts peace strategy

By Jihan el-Tahr and Lamis Andoni in Tunis

MR YASSIR ARAFAT, leader of the Palestine Liberation Organisation, yesterday opened the fifth Congress of his mainstream Fatah group with a speech reasserting his commitment to the PLO's current peace strategy but stressing that the Palestinians would not abandon legitimate armed struggle against Israeli occupation.

Addressing more than 1,000 Fatah members, assembled for the first time in nine years

amid tight security, Mr Arafat said that the Palestinian peace initiative, which calls for the establishment of an independent Palestinian state alongside Israel, was "irreversible".

But Mr Arafat indicated that this did not imply forsaking armed struggle against Israel. He renounced terrorism last December to pave the way for dialogue with the US. But yesterday he drew a distinction between terrorism and legiti-

mate armed resistance, stressing that it was military struggle which provided the organisation with the necessary strength to pursue a diplomatic option.

"Armed struggle has laid the solid basis for our organisation's political victories... this legitimate weapon against the Israeli occupation has distinguished our struggle," said Mr Arafat, amid applause and chanting from Fatah activists.



Arafat: armed struggle

Glimmer of peace across the Cambodian 'killing fields'

Robin Pauley assesses the chances of success for the international conference which began in Paris this week

THERE was a good deal of beaming in and around the Avenue Kleber conference centre in Paris where the first phase of the international conference on Cambodia took place this week. Delegates congratulated themselves on making the sort of progress in two days that has been known to take many weeks (Afghanistan peace talks) or many years (Vietnam peace talks). But the glee is certainly premature.

As if to reflect the thorny road ahead two Saffron-robed Buddhist monks stood outside the centre throughout, not beaming but praying hard to the slow beat of a drum.

All that has happened so far is that the conference attended by no fewer than 18 foreign ministers and all parties to the Cambodia dispute together with Mr Javier Perez de Cuellar, Secretary General of the United Nations, has agreed to set up working committees to get down to trying to iron out a range of serious obstacles dividing the factions and draft a comprehensive peace treaty for the full conference to consider when it reconvenes on August 28.

Getting that far is quite an achievement given Cambodia's troubled 36 years of independence. Since

1970 when Lon Nol overthrew the government of Prince Norodom Sihanouk the country has been in the grip of civil war. In 1975 Pol Pot's Khmer Rouge guerrilla forces ousted Lon Nol's feeble administration and began a four year reign of terror, littering the "killing fields" with the bodies of a large portion of the population - estimates range from around 1m upwards.

Pol Pot was brought down but not out by the Vietnamese invasion in December 1978 which was supported in principle and with cash by the Soviet Union. In over a decade of bloodshed the Vietnamese have been unable to eliminate the Chinese-backed Khmer Rouge; the coalition of three resistance parties under the increasingly mercurial leadership of Prince Sihanouk including the Khmer Rouge have been unable to defeat the Vietnamese and bring down the Phnom Penh government of Hun Sen.

Until last year Hun Sen and the resistance had not even spoken, let alone negotiated, with each other. But the super-powers, growing tired of regional conflicts, started to put pressure for a settlement. The Soviet Union warned Vietnam it would no longer fund the occupation. Vietnam, anxious to return to

The Cambodian Government, facing a likely civil war after Vietnam withdraws its troops in September, has introduced three-year conscription for men over 18. Reuter reports from Bangkok. Phnom Penh has an army estimated at 40,000 troops, mainly infantry, against 20,000 to 40,000 Chinese-supplied insurgents.

the international fold and to gain access to western aid and credit, announced a full withdrawal which will be completed by September 25. China, increasingly annoyed by the international opprobrium it attracts for its support of the ruthless Khmer Rouge, encouraged the resistance groups to negotiate and China's determination not to allow its clients to be blamed for the collapse of the conference in its first phase resulted in some strong arm-twisting on Monday night to force the Khmer Rouge not to scupper the proposed agreements.

The US, also anxious to appear flexible, has moved away from its insistence that there should be no future role for the Khmer Rouge.

Now the difficult work begins. The first working committee, chaired jointly by India and Canada, has to

work out how to introduce a ceasefire and how to set up and operate an international mechanism to oversee all aspects of the settlement including Vietnamese withdrawal.

The second committee, chaired by Laos and Malaysia, has to come up with acceptable ways for all countries at the conference to guarantee the sovereignty, independence, territorial integrity and neutrality of Cambodia and to ensure that all foreign interference ceases including the sending of troops and arms.

The third committee, chaired by Australia and Japan, will propose ways of allowing refugees to return home and draw up a plan for the reconstruction of Cambodia. Japan has already promised to provide very large but unspecified amounts of cash for reconstruction.

In addition there will be an ad hoc committee chaired by the co-presidents of the conference - France and Indonesia - which has the hardest task of all: to look for a way of setting up a quadripartite interim government under Prince Sihanouk responsible for organising internationally supervised free elections.

This means the following four groups have to agree to share the interim government, agree to elections and to abide by the result: Prince Sihanouk who was not only ousted by the Khmer Rouge but subjected to abuse by them including prolonged brain-washing; Khieu Samphan, the current Khmer Rouge leader who is widely regarded as a front man for Pol Pot and who despises the Phnom Penh "puppet government"; Son Sam, a French-educated pro-western former prime minister and leader of a moderate resistance faction who has lived in exile for more than 20 years; Hun Sen, a former Khmer Rouge activist who fled to Vietnam to escape a purge in 1977 and returned to be installed as prime minister after the Vietnamese invasion. The problems for this committee cannot be overstated and all are made worse by the deep personal animosity between Khieu Samphan and Hun Sen.

An important decision this week was the unanimous agreement to accept Mr Perez de Cuellar's personal offer of a UN fact-finding mission to leave for Cambodia immediately and to report back on technical information which might help the ceasefire and control committees.

This decision matters because it gets the UN involved at last in spite of the contentious issue of the Cambodian seat at the UN being occupied by the resistance rather than

the Hun Sen government. What to do about the seat is going to be a tricky issue this month; the answer may lie in an informal agreement for no-one to occupy it without its being declared vacant or vacant.

The UN team will discover, if the rains which have already started do not halt their progress altogether, why the Khmer Rouge force often estimated at 40,000 but more likely to be as low as 15,000 to 20,000 has been able to survive against a total of 200,000 Vietnamese troops over 10 years and remain in control of large areas of western Cambodia: the terrain of their strongholds is a mixture of mountains and almost impenetrable jungle where malaria is endemic.

The working committees have a hectic schedule ahead. When the full conference reconvenes the results may well be the acid test of the Soviet Union and, more particularly, China. Prince Sihanouk and Son Sam have declared in advance that they will not use their veto over anything; Hun Sen and Khieu Samphan have not. It is not surprising the two monks in Avenue Kleber were so stony-faced, serious, still tapping their drum long after the delegates had beamed away. There is still a lot to pray for - and prayer may not be enough.

Kim Dae Jung released

SOUTH Korean security police yesterday released Mr Kim Dae Jung, the country's main opposition leader, after a 20-hour interrogation over alleged links to North Korea. Maggie Ford reports from Seoul.

Mr Kim, who has strongly denied a report that he wrote to North Korean President Kim Il Sung, said the security police had offered no evidence of any wrongdoing. They obtained a court order to question Mr Kim after it was revealed a politician in his Party for Peace and Democracy secretly visited North Korea last year.

Contacts with the communist North are banned under the South's security laws and a spate of recent visits to Pyongyang by South Koreans has angered conservatives. A woman student and a Catholic priest held a five-day hunger strike at the border village of Panmunjom last week and are appealing to be allowed to cross the demilitarised zone.

Earlier this year the Rev Moon Ik Hwan, a protestant minister and the brother of the deputy leader of Mr Kim's PPD, visited Pyongyang and met the Northern leader. He is now in jail.

WORLD TRADE NEWS

Republicans plan body to oversee East Bloc exports

By Nancy Dunne in Washington

TWO influential Republican senators are developing plans to create an oversight body to oversee US export controls in the hope of ending the bitter inter-agency feud which has slowed governmental approval of sensitive high technology exports.

The senators are usually ranged on opposite sides of the fence, with Senator John Heinz of Pennsylvania favouring the liberalisation of controls and Senator Jake Garn of Utah backing Pentagon concerns over national security.

Both agree, however, that the present structure governing export controls, which gives responsibility to the Commerce and State departments and the Pentagon, is hampered by "bureaucratic warfare and procedural uncertainties."

In a separate initiative, Mr Heinz has written to Mr James Baker, the Secretary of State, to urge development of a liberalising technology transfer pro-

gramme for Hungary and Poland.

The scheme would include adoption of a "differential" similar to the "greenline" negotiated for China within the Coordinating Committee for Multilateral Export Controls (Cocom), the body that oversees the export of sensitive technology to the Eastern Bloc, which permitted sales of higher level technology than that going to the USSR.

The Senator also called for government-to-government customs agreements and strategic trade agreements with Poland and Hungary, which would allow the US to investigate and correct breaches of customs law. The aim would be to ensure that technology had not been illegally diverted.

"The changes taking place in the Eastern Bloc afford us unprecedented challenges and opportunities to begin a new, more co-operative era in East-West relations," Mr Heinz said on Wednesday.

The most recent brawl over export controls occurred last month when Mr Robert Mosbacher, the Commerce Secretary, eased curbs on personal computers export to Western destinations and sought similar liberalisation within Cocom. Mr Richard Cheney, the Defence Secretary, publicly criticised the decision and said it would give the Soviet Union increased military capabilities.

Mr Heinz said such disputes could best be solved by a new agency which put under one roof the Bureau of Export Administration from the Commerce Department; the Office of Munitions Control from the State Department; and the Defence Technology Security Administration from the Pentagon.

The new independent, Cabinet-level Office of Strategic Trade and Technology would oversee dual-use technologies, defence trade, proliferation issues, and economic security matters.

Super 301 condemned by Latin Americans

TWENTY-SIX Latin American and Caribbean nations have rejected and condemned unilateral sanctions contemplated under the so-called Super 301 provision of the 1988 US trade law, Reuter reports from Cartagena, Colombia.

The statement, issued on the final day of a ministerial meeting of the 26-nation Latin American Economic System (Selsa), said the trade law's provisions for the imposition of unilateral sanctions were contrary to the norms and principles of Gatt.

The statement recalled that, in addition to Washington's list published in May of countries it considered had hindered trade and investment, the US also cited six Latin American nations as not providing adequate protection for intellectual property rights.

"The ministers of Latin America and the Caribbean energetically reject and condemn these actions which, like other trade sanctions that the United States of America continues to apply to the region's countries, cause serious harm to our economies," the Selsa statement said.

Under the trade law, Washington could consult and negotiate with these countries and, if no accord was reached, it could impose sanctions.

Brazil, together with Japan and India, were cited by the US as countries whose trading activities would have to be subject to negotiations and possible counter-measures under Super 301.

But Washington also identified Argentina, Chile, Colombia, Venezuela, Brazil and Mexico as not providing adequate protection for intellectual property rights, according to the Selsa communiqué.

US sets a cracking pace for Gatt

William Dullforce meets America's man at the Geneva trade talks

THE US made it clear yesterday that the success of the multilateral talks on the liberalisation of world trade depends on their being completed on time in December 1990. President George Bush's administration would have neither the opportunity nor the disposition to go beyond that deadline, Mr Rufus Yerxa, Deputy US Trade Representative and Ambassador to Gatt, said.

Dismissing the argument that the three-stage programme agreed last week by Gatt's 96 member states of the General Agreement on Tariffs and Trade was unrealistic, Mr Yerxa said it was not only realistic but essential to the success of the Uruguay Round.

It set a nerve-racking schedule but "if we are really serious about producing results, we can live with it," The Bush administration had to notify Congress by March 1, 1991 of agreements reached in the Gatt talks. It could not let the deadline slip without asking Congress for negotiating authority for another three years and there was "no way" it would do that.

Under the timetable outlined by Mr Arthur Dunkel, Gatt's Director General, governments will have to spell out their positions on all 15 of the trade issues under negotiation in the Uruguay Round by the end of this year.

Between January and August next year negotiators would be expected to strike deals and write draft agreements. From September onwards these would be put together into a comprehensive trade-liberalising package for presentation to trade ministers at a final meeting in Brussels between November 26 and December 8.

Without the pressure of this programme and deadline governments would hold back and

Mrs Carla Hills, the US Trade Representative, will make her first visit to Geneva, the forum for the multilateral trade talks, on September 12.

She will attend a meeting of the US private sector advisory committee on investment policy which is being held in Geneva, to coincide with a meeting of the group negotiating on trade-related investment measures, one of the "new" items on the agenda of the Uruguay Round.

Mrs Hills will meet Mr Arthur Dunkel, Gatt Director General, and senior negotiators from other countries before flying to Bonn, Paris and London for talks with the West German, French and British trade ministers.



Rufus Yerxa setting a nerve-racking schedule

procrastinate, Mr Yerxa said. In an interview, the 36-year-old ambassador, who has just concluded the first three months in his job in Geneva, argued that the Bush administration had already started to dispel the initial flurry of condemnation it provoked, when under clause 301 of its new Trade Act it named Japan, Brazil and India in May as unfair traders. Washington's demand that these three countries should enter bilateral talks under threat of retaliatory action to settle specific trade complaints from US industry, was seen in Gatt as inconsistent with the US commitment to the multilateral trade talks.

Mrs Hills and the Bush administration had "gone that extra mile" to demonstrate that they were taking a prudent approach to the obligations placed on them by the 301 legislation and were looking for multilateral answers.

Much of the build-up within US industry and business for solutions to trade complaints was now being funnelled into

addressing them was the Uruguay Round. In order to generate the surpluses on the trade and external accounts required to pay off nearly a decade of deficits, the US "inescapably" had to work for the broadest possible participation in a world trading system.

But, Mr Yerxa emphasised, the multilateral approach had to secure results. The outcome of the Uruguay Round could not just paper over loopholes in Gatt that kept a large part of world trade, such as agriculture, services and high technology, out of its purview.

Reform of world farm trade was as big an issue as ever for the Bush administration, Mr Yerxa said. Governments still had a lot of homework to do but the deadlock-breaking agreement reached in April offered a good format for pushing ahead with the talks in the Uruguay Round. The US, having just tabled its proposals for converting border restraints into tariffs and then reducing them, was working on a paper on rules and disciplines, which would cover export subsidies and domestic farm supports. It hoped to present the paper in the autumn.

The US now has a better understanding with the European Community over trade matters than it had six months ago, according to Mr Yerxa. Problems had not gone away but Mrs Hills and Mr Frans Andriessen, the EC External Affairs Commissioner, had established a good working rapport and this was reflected among senior negotiators.

Mr Yerxa said Washington was "very enthusiastic" about Gatt's new trade policy review mechanism, of which the US is to be the first target this year. The administration would make available "every ounce of information and every official they want to see" to the Gatt review team.

Majority of US executives predict post-1992 restrictions

By David Waller in London

TWO-THIRDS of senior US executives are convinced that the European Community will set up significant trade barriers to US goods in the aftermath of the creation of the single European market at the end of 1992, according to a report published by KPMG, the international accounting firm.

Opinion is divided on the impact of 1992 on US business in general, but the survey of 572 top businessmen in the high-technology, manufacturing and transport sectors shows that US companies are busy formulating and implementing strategies to deal with the challenge of 1992.

More than 40 per cent believe that the EC's dismantling of internal barriers will have a negative economic impact on US business in general, with 36 per cent thinking that the impact will be positive.

Just over half (51 per cent) think that there will be no

impact either way. Moreover, US executives are convinced that Asian countries and European states outside the EC have more to lose from any protectionist upsurge than the US.

Only a fifth of the businessmen polled - 20 per cent of whom are chief executives - believe that the single European market will be in place on schedule, by midnight on December 31, 1992.

Nearly four in 10 (37 per cent) are actively formulating a strategy to deal with the challenges of 1992; 33 per cent claim to have started putting their plans into action already.

Nevertheless, there is a near consensus (87 per cent) that strategic alliances between US and EC companies will be necessary and that US companies will have to increase their manufacturing presence in Europe.

Some 79 per cent believe that a pan-European strategy will

be needed in order to succeed in the single market.

Marketing and distribution are the key areas for moving ahead in Europe, with 58 per cent thinking that the most important focus for business development in the EC is the possibility of marketing products more widely.

Changing distribution channels and altering export arrangements are also considered important. It appears that US business investment in the EC will be concentrated in West Germany, France and the UK. Italy, Spain and the Netherlands will probably attract only minor investments.

Strategic Implications of 1992 for American Business, a survey of American executives' perceptions of 1992 and the European Community conducted by KPMG. A summary from Paul Morwick, McLintock, 1 Puddle Dock, Blackfriars London EC4V 3PD.

Cooper Rolls wins Saudi order

By Nick Garnett in London

COOPER Rolls, a joint venture company between Rolls-Royce of the UK and Cooper Industries of the US has won a \$175m order to supply gas turbine plant for oil pumping in Saudi Arabia.

The order involves the supply of 22 gas turbines, each based on the Rolls-Royce RB211 engine, together with control systems, and some retrofit control equipment for existing gas turbine machinery in Saudi Arabia.

The new equipment will be installed at 11 pumping sta-

tions along a pipeline from Saudi Arabia's eastern province to the Red Sea port of Yanbu.

Aramco Services on behalf of the Saudi Arabian Oil company placed the order. The Rolls-Royce portion of the contract is worth \$70m.

Ryder in Germany

Ryder Systems of the US, the world's largest truck leasing company, has entered the highly regulated West German road transport business to build up its continental Euro-

pean operations with the approach of the single EC internal market after 1992, writes Andrew Fisher in Frankfurt.

With a German fleet of 135 trucks from Ford-Werke and Daimler-Benz Ryder is making its first significant move in mainland Europe. "There is no market we see that offers greater opportunities for the '90s than Europe," said Mr Carl Simmons, Ryder's general manager for European operations.

Ryder is well established in the UK with about 7,000 trucks and nearly 1,300 employees. It intends later to become involved in other EC markets such as France and Spain, said Mr Alan White, group director of field services in Europe.

Soviet imports

The Soviet Union is likely to import \$500m to \$600m of South Korean products, mostly daily necessities, according to Chung Ju-Yung, founder and chairman of the Hyundai Business Group. AP-DJ reports from Seoul.

Returning from a nine-day trip to the Soviet Union, Mr Chung also said the Soviet Union had proposed joint ventures with South Korean partners in 40 to 50 projects.

Chung headed a 30-member delegation of leading South Korean businessmen to the first session of the Korea-Soviet Business Council held in Moscow.

Iran talks fail

Talks between Mitsui and National Iranian Oil have failed to agree the fate of the stalled Iran-Japan Petrochemical project at Bandar Khomeini, which was badly damaged by air raids in the Gulf War, Reuter reports from Tokyo.

Mitsui has told the Iranians it wants to wind up the joint venture in a "friendly separation," pointing out that resumption of work on the complex is not financially justifiable.

More Sheratons

Sheraton Asia-Pacific is to open four hotels over the next three years in Australia and Fiji, costing A\$263m (£180m), AP-DJ reports from Hong Kong.

Mr Kevin Carlton, senior vice president of Sheraton, owned by ITT of the US, said the move was in line with the group's strategy to develop luxury hotels for businessmen and resort properties at gateway cities in the Pacific region.

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UK NEWS

Securities body orders disclosure of investment fees

By Eric Short

LIFE assurance companies and unit trust management groups from next April will be required to tell buyers of life assurance, pensions and unit trusts the effect of expenses on their investments.

Provision of such information is a key element in the final rules on disclosure for life assurance and unit trust products issued yesterday by the Securities and Investments Board (SIB), the financial services watchdog.

SIB's underlying philosophy in its regulatory role has been that consumers should be given full information over the investment products they are buying.

These rules set out the nature of that information in relation to life assurance and unit trust contracts, covering not only expenses, but the benefits provided, the underlying investments and taxation implications.

SIB has spent three years considering these rules, with expense disclosure being the thorniest of problems.

The form of disclosure is a percentage deduction from the yield and the information must be provided with 14 days of completion of the sale, not at the time the product is being bought. But surveys have

shown that presenting the information as a percentage deduction is not widely understood by the public.

SIB has followed the views of the life assurance industry on the time of disclosure and ignored those of the Consumers' Association, which wanted the information in money terms at the time of the sale.

The Association said it deeply regretted that its views were not heeded.

SIB also announced a second initiative, a Buyer's Guide which must be given to any purchaser of life assurance or unit trust products at the outset of the sale.

The guide will be produced by the regulatory bodies, not the life companies. It sets out the information which consumers can expect from the salesman, their rights of cancellation and, above all, it explains clearly the difference between the two categories of intermediary - independent or company representative.

Mr John Ellis of the Life Insurance Association, one of the trade bodies representing life assurance intermediaries, welcomed the guide as the best means of ensuring that the public understood what they were buying and who they were buying it from.

Judge urges ruling on tax liability of foreign states

By Raymond Hughes

A SENIOR judge yesterday called for legislation to clarify what he called "a revolutionary reversal" of the Inland Revenue's previous practice in relation to the liability of foreign states to UK tax.

Lord Justice Dillon said that the Revenue contended that sovereign immunity of a foreign state meant no more than immunity from being sued in the UK courts. It did not mean immunity from income tax.

On the contrary, the judge said, the Revenue contended that foreign states were liable to income tax on certain income that accrued to them

within the UK and that the liability could be enforced against them by any process of set-off that might be available to the Crown.

The only immunity was that it could not be enforced by action in the courts and recovery by judgment.

"This is a revolutionary reversal of previous practice. It is one which can affect very many sovereign states," Lord Justice Dillon said. "The point is important and it is very desirable that it should be clarified by legislation if the Crown intends to maintain the new position," he said.

Court scuppers Cambrian share sale

By Raymond Hughes, Law Courts Correspondent

AN ELEVENTH-hour attempt to save a \$41m (\$24.7m) sale by the US Treasury of shares in Cambrian General Securities, a British investment company, failed in the Court of Appeal yesterday.

The shares were formerly held by Mr Ivan Boesky, the convicted US insider trader.

The court refused to rule an Inland Revenue decision unlawful. The decision struck down an essential part of the deal, which US tax law required to be completed before August 8.

The US Treasury had acquired the shares - about 20 per cent of Cambrian's equity - from Mr Boesky through a New York court order made under the Insider Trading

Sanctions Act, in proceedings brought by the Securities and Exchange Commission, the trading watchdog. Cambrian was at one stage Mr Boesky's UK investment vehicle.

The agreement was for the shares to be sold to Camacq Corporation of Delaware, which already owns about 70 per cent of Cambrian. Camacq would then sell its interest to a new wholly-owned UK subsidiary of Leucadia National Corporation, its US parent.

Under US tax law, Camacq had to acquire not less than 80 per cent of Cambrian before next Tuesday for it and Leucadia to avoid US tax liabilities of about £10m.

An essential part of the transaction was that immedi-

ately after the shares were transferred to Camacq, Cambrian would declare a dividend on those shares.

Under the 1988 Income and Corporation Taxes Act, recipients of dividends that are not subject to UK tax - such as a foreign state able to claim sovereign immunity - can claim from the Revenue a tax credit equal to the amount of advance corporation tax (ACT) payable on the dividend.

The Inspector of foreign dividends at the Inland Revenue initially authorised Cambrian to pay the US Treasury an amount equal to the ACT - about \$8m - avoiding the need for the credit to be reclaimed from the Revenue.

Shortly afterwards, however,

the Revenue changed its mind and revoked the authorisation.

Cambrian and Camacq challenged the revocation decision in judicial review proceedings, arguing that the Revenue had acted unlawfully and unfairly, and had abused its powers.

In the High Court earlier this week, Mr Justice Kennedy ruled that the Revenue had grounds for correcting what it regarded as an error in authorising the payment.

Upholding that ruling, Lord Justice Dillon said yesterday the Revenue believed that the dividend seemed to have been arranged artificially to take advantage of UK tax credit rules and would not be available to other Cambrian shareholders.

Secret formula is foundry's fortune

Christine Griffiths on an alternative to high-priced nickel

ALMOST FIFTY years ago Hermann Goering ordered German scientists to invent a nickel-free steel alloy to avoid the Luftwaffe being grounded by dwindling nickel supplies. Recently, a small foundry in the Midlands began producing the Nazi formula to combat soaring nickel prices and found itself overwhelmed by international demand.

Several years ago Mr Dan Taylor, owner of Auto Alloys (Foundries), bought his Derbyshire home from a former president of the Institute of British Foundrymen. In the library - handed over intact - he found references, in publications dating from the Second World War, to German use of nitrogen-alloyed steels in aircraft components. The formula was discovered by a team led by Lord Beaverbrook (who was in charge of British aircraft production), which studied captured German aircraft components. Mr Taylor then found references to two vital alloys registered in Brazil and from this devised his own refined formula which he calls "mean" (manganese-enhanced austenitic nitrogen) steel.

Austenitic refers to the structure of the metal, normally associated with nickel. From such bizarre origins has grown an ingenious solution to Mr Taylor's wrangle with the price of nickel - now more than \$13,000 a tonne. Mean steel has slashed his production costs and finished product price dramatically. Savings of more than 30 per cent will be passed on to customers who buy his automobile turbo-charger casings and heat treatment grids for the general metallurgical industry.

"By judicious use of nitrogen and by capitalising on its undoubted beneficial effects, considerable improvements can be obtained in terms of steel properties and

by the use of what is probably the least expensive of alloying elements," reports High Nitrogen Steels '88 - a publication of notes from a conference held last year in France.

Mean steel's higher strength, corrosion resistance and its ability to withstand greater extremes of temperature than nickel-alloyed steels are the properties which will turn the heads of those in the offshore industry in particular, and also the defence and nuclear industries. Above all, it is vastly cheaper to produce.

Mr Taylor has been bombarded by interested parties from the UK, Japan, Germany and Australia. GKN, the UK engineering conglomerate, has ordered mean steel furnace equipment; Birmid-Quilcast has grids on trial; One of Auto Alloy's main customers, Allied Signal Group's subsidiary Garrett Automotive, is interested in the steel for turbo-charger casings; and more than 20 other companies are discussing stainless mean steel prototypes for various uses, including marine engineering.

The path to Mr Taylor's door has not always been so well beaten. UK interest has been non-existent until very recently. Mr Taylor cites the "not invented here" attitude many UK producers have to innovative technology as the reason that prevents them from embracing new ideas. Tradition is also a powerful factor in acceptance or rejection of new technology, and foundrymen, for the most part, have always used nickel to produce stainless and high-alloyed steels.

The nickel industry is not over-enthusiastic about high-nitrogen steels, however. "If these steels were really likely to

replace nickel-alloyed steels, it would have happened years ago," said the Nickel Development Institute (NIDI). The institute is sceptical of the mooted superior qualities of manganese-nitrogen steel over nickel steels and questions whether there is sufficient interest to warrant commercial production.

According to Mr Mike Kuntanek, head of Mining Research at James Capel, UK brokers, Auto Alloys addresses a "small-volume, high-value market." He does not see a widespread nickel-substitution danger, but can recognise a real threat in the specialist high-value market.

However, "getting it accepted as the industry standard is going to be very difficult. There is a natural resistance to change - industry holds the key and when it is ready to change, it will," he said.

Mr Taylor - who has been nominated for this year's MacRobert award, one of the top engineering accolades in the country - has stepped into the limelight before. He spent 10 years developing the "lost foam" process - which is on display at the Science Museum in London - whereby hot metal vapourises polystyrene moulds and takes their shape. By combining this process with mean steel, Mr Taylor thinks he can revolutionise the cast market.

Japanese companies have flocked to Derbyshire with offers to buy the whole business. The Soviet Union has also expressed interest in the process for use in a new automobile facility planned for the Lada car. Mr Taylor concedes that he will now have to give up a minority share in his company to raise the finance required to satisfy the international market for mean steel.

Employers prepare for end of ports stoppage

By Charles Leadbeater

THE national dock strike was drawing to a close last night as it emerged that the employers' organisation which co-ordinated ports' approaches to the strike will soon be wound up.

The governing council of the National Association of Port Employers (Nape), will vote to wind up the association when it meets in two weeks' time. The association co-ordinated the employers' two-year political lobbying campaign to persuade the Government to run the risk of a national dock strike and abolish the statutory National Dock Labour Scheme which regulated employment and conditions in most of Britain's ports.

The break-up of the association passages intended competition within the industry which could lead to more bankruptcies and redundancies.

Ports which were included in the scheme are expected to lower their prices following the 3,000 redundancies among the 9,221 former registered dockers. This will put more pressure on the profitable non-scheme ports which were able to underprice the scheme ports.

Some scheme port employers are confident that with smaller workforces and flexible working practices they will be able to take traffic away from the non-scheme ports.

Port employers believe it will take between six months and a year for the industry to settle down after a period of intense competition.

Meanwhile, all but four of the 61 ports previously covered by the scheme are expected to be working normally today.

Bristol's 467 former registered dockers yesterday voted to return to work on Monday when local union officials expect to open talks on a local agreement for the port.

Union officials at Liverpool called on the Mersey Docks and Harbour Company to withdraw contracts sent to 610 men who have said they want to continue working at the port.

The officials said the disciplinary procedures in the contracts would have to be changed before they could recommend a return to work.

Universities fear drop in engineering candidates

By Nick Garnett

THE NUMBER of school-leavers applying to universities to study engineering fell by 18.5 per cent between 1985 and 1988. For electrical and electronic engineering it dropped by almost a third.

University engineering departments are waiting nervously for this year's figures to see whether a recent severe decline in the number of domestic candidates they accepted has been halted.

During the four-year period, demand from industry for engineering graduates has risen around the world. As a result, British universities have kept largely stable the number of candidates they accept for engineering courses but at the cost of a reduction in entry requirements.

Mr Jack Blears, of the national research unit for engineering professors, based at Liverpool University, said yesterday that the reduction in standards had so far been only marginal.

But, he added: "Universities are very concerned about the position, particularly at vice-chancellor level."

It is impossible to compare this year's applications for engineering courses with last year's. That is because for the first time school leavers do not have to list in order of preference the subjects they are interested in studying.

Figures from these multiple applications this year, however, might indicate that the decline has been arrested.

By May this year, there had been 66,500 "entries" on application forms for engineering courses starting in the autumn, virtually the same as last year. Some students might enter engineering on their forms up to five times.

That does not necessarily correlate with what will happen to the numbers of school leavers viewed as genuine candidates, although there seems to have been a resurgence in interest in civil engineering.

In October 1985, there were 17,500 candidates for university engineering courses. That fell to 16,700 the following year, then to 15,550 in 1987 and 14,270 last year.

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UK NEWS

Dillons may cut prices in spite of OFT book ruling

By Raymond Snoddy

MR TERRY Maher, chairman of Pentos, said yesterday he planned to sell books at discount prices before this year was out, in spite of the decision of the Office of Fair Trading against referring the net book agreement to the Restrictive Practices Court.

Mr Maher, whose group owns Dillons, the bookshop chain, has been running a public campaign against the NBA, which allows publishers to set minimum prices for most books, said yesterday. "The fight to end the net book agreement goes on."

He was speaking after Sir Gordon Borrie, Director General of Fair Trading, confirmed that he would not seek leave of the Restrictive Practices Court to have the agreement re-considered.

When the court looked at the issue in 1982 it decided that getting rid of the NBA would lead to fewer, more poorly stocked bookshops and higher prices.

Sir Gordon said the main question he faced was whether there had been enough changes in the publishing and bookselling trades since then to lead the court to a different decision on the effects of ending the NBA.

"I have concluded that there is an insufficiently strong basis to justify me in making an application to the court to reopen the case," he said.

The Director General made it clear he had also taken into account the Government's plans for new restrictive practices legislation which would involve an automatic review of all agreements such as the NBA.

The Pentos chairman expressed regret at what he called Sir Gordon's timidity on the issue.

He also wrote to Mr John Redwood, the new Department of Trade and Industry Minister responsible for competition policy, urging him to ensure the NBA is reviewed as soon as possible.

Mr Maher also said: "We will be using our marketing expertise and imagination in looking for ways to promote books aggressively using price as a marketing tool within the rules of the NBA."

If Mr Maher unilaterally sells books subject to the net book agreement at a discount he will face an injunction from the Publishers Association acting as agent for the individual publishers involved.

The Pentos chairman said, however, he would try to persuade individual publishers to publish particular books as "one-off books" as they are completely free to do. Mr Maher would then be able to offer those books at a discount.

Mr Maher also promised other unspecified actions.

"We will definitely be selling books at lower prices during the course of this year," he said.

Both the Publishers Association, which represents most publishers and is implacably opposed to the abolition of the NBA, and the Booksellers Association, which represents 3,500 retail bookshops in the UK and Ireland, welcomed Sir Gordon's decision.

In a letter to The Times this week, Mr Graham Greene, the novelist, pointed out that innumerable small bookshops had closed in France when a net book agreement was abolished during the rule of President Pompidou. It was reinstated when Mr Raymond Barre was Prime Minister. "I think we should have learnt a lesson from France," he said.

City yawns at dreams of sleepless prosperity

By Ralph Atkins, Economics Staff

YAWNING YUPPIES rich and famous like to sleep on... and on.

Research published earlier this week by the US National Bureau of Economic Research found a link between financial reward and sleep. Doubling somebody's wages means 20 minutes less in bed, it suggests. However, an informal survey in the UK shows sleepless heads can rest easy.

In the City, sleep can be a valuable commodity. Sir John Nott, chairman of Lazard Frères, says: "I feel miserable if I don't get at least nine hours a night, preferably 10."

Sir John has experienced working as a minister in Mrs Thatcher's Government and finds the private sector gives more opportunity for napping. "When I got no sleep at all was when I was a Treasury minister because I had to sit up all night and read in-lane Revenue briefs," he said.

Mr Gavyn Davies, chief UK economist at Goldman Sachs, says successful analysts in the City start early - he is at his desk at 7.30am. "But they don't tell me when they go to bed. I'm an example of a different type of physical law which is that the older you get, the more tired you are at night."

Despite being an economist himself, he describes the US study of "the kind of thing that academics do on a not summer day to amuse themselves."

Top pop star Paul McCartney - whose wealth has been estimated at nearly £80m - likes seven to eight hours a night, says Mr Bernard Doherty, his public relations agent. "All of my clients are what you might call regular sleepers. I don't know of any who are up very early in the morning getting zippy," he says.

Mr Doherty, who also acts for Tina Turner and the Rolling Stones, says: "Perhaps the more - how can I put it - flamboyant pop stars have been hard on sleep. But not Keith Richards of the Rolling Stones is an example of a person who needs a bomb in the room if there is a morning call."

Even the Queen, whose wealth has been put at more than £50m, appears to sleep well - at least when official engagements and State banquets permit. "I think she is probably a fairly average sleeper," said Buckingham Palace.

The Low Pay Unit, which lobbies on behalf of the poor, thought any link between effort and sleep was dubious. "Low paid workers need just as much sleep as the highly paid workers," said Mr Mark Minford, research officer.

There are some exceptions. Insomnia is a prerequisite for a successful politician. The Prime Minister is famous for managing on six hours a night. Mr Nigel Lawson, the Chancellor, is reported as being up by 7.30am and still running the economy at midnight.

"You can't do his kind of job if you are like the rest of us and need eight hours sleep a night," said a close colleague in the Treasury.

There are spillovers too in the City. Mr Richard Hill, senior manager in Barclay's foreign dealing room, manages on five hours a night. He speaks to dealers in Tokyo before retiring at 11.30pm, setting the alarm for 4.40am.

"It has appeared to me over a number of years that the harder and longer you work the more likely you are to make a success of it," he says.

The atmosphere is similar in some big security houses. Mr Simon Lewis, head of public relations at S G Warburg, says: "People in the bids department would say 'sleep, what is it?'"

Asked if he believes there is a link between the financial success and hours spent sleeping, he says: "I should think it is certainly a luxury that we could do without."

The chamber's latest quarterly survey for April-June confirms the picture of a widespread slowdown in the northern economy revealed on Tuesday by similar surveys in Greater Manchester, Tyneside, Teesside and South Yorkshire.

Leeds usually provides a reliable indicator because of the wide base of the West Yorkshire economy and because

Spelling out investors' expenses

Eric Short on SIB's long-awaited reform of its rules on disclosure

AFTER three years of discussion and deliberation, the Securities and Investments Board yesterday issued its final rules on the disclosure of expenses and commission on life, pensions and unit trust products.

After so long a period of indecision and uncertainty, the feeling among life company executives was one of guarded relief, that they could now get down to the task of setting up the required administration systems to comply with the rules by the start date, April 1, 1990.

The regulatory authorities have for the past three years been putting forward the principle that the investor should know how much is being paid out in charges.

The problem for SIB was to decide the best way of presenting this.

In the end it settled for showing the effect as a percentage deduction from the investment return. On current experience an average life company would show around a 1 per cent expense deduction for a long-term contract and around 2 per cent for a short-term contract.

SIB ignored demands from the Consumers' Association that life companies should be required to show the effect of



David Walker: chairman of SIB 'still seeking views'

expenses in cash terms at the time of sale. The association believes this would put a brake on the current escalation of commission payments.

SIB had considered showing the effect of expenses as a percentage deduction from premiums, a form that would have been more readily understood by the public, but backed down in the face of united opposition from the life companies and the intermediaries.

The expenses disclosure proposals will apply both to unit-linked contracts - where charges are already disclosed but usually in a complex form - and with-profit contracts

where expenses tend to be pooled between different contracts.

The expense disclosure is just one important feature of the complete range of product particulars that must be supplied to the buyer, including the nature of the investments, tax implications and penalties on early termination.

The other major factor causing SIB problems was the disclosure by the intermediary of its status under so-called polarisation rules.

These stipulate that intermediaries marketing life assurance and unit trust products must either be truly independent and deal with the whole market, or be the representative of just one life company or unit trust group and deal exclusively in the products of that group.

The solution devised by SIB was a Buyer's Guide which would be given to clients at the outset of a sale explaining both the status of the adviser and the service to be provided.

There are two versions of the guide: one for independent advisers and one for company representatives. They will come into operation from January 1, 1990. Some feel that it could be made into a useful sales aid, while others feel that it might put off a would-be client.

Nevertheless, the Association of British Insurers feels that the wording in both ver-

sions tends to play down the service that can be provided by a company representative.

SIB's final significant proposal relates to the traditional life companies and their producing a company booklet explaining various features of their with-profits business.

This business has tended to operate under a veil of mystery, with intermediaries having little information on the company's expense experience, investment policy and record and bonus philosophy.

The aim of the booklet is greater openness on a consistent basis, allowing independent advisers to compare companies in order to make recommendations to clients.

SIB has set out its proposals for such a booklet and its contents, with the aim of issuing it around August next year, based on information relating to 1988.

But on this particular subject it is still seeking the views of all concerned.

Rules and Regulations Amendments and Additions Release No 62, free to subscribers otherwise price £10.

Life Assurance and Unit Trust Disclosure: A New Framework Consultative Paper No 27, Parts 1 and 2, free to subscribers otherwise price £10.

Available from the Securities and Investments Board, 3 Royal Exchange Buildings, London EC3V 3JL.

Councils questioned on poll tax inquiries

By Richard Evans

MORE THAN 300 local authorities in England and Wales are being asked to explain possibly irregular questions on community charge registration forms in a move that could affect the smooth introduction of the charge next April.

Mr David Hunt, the newly appointed Local Government Minister, is meeting local authority leaders today in an attempt to defuse what could develop into an embarrassment for the Government.

The problem has arisen because local authority community charge registration officers have sought information that is not strictly necessary for the registration of adults for the charge, or poll tax. This may well contravene the Data Protection Act, which protects the individual from misuse of computer-based records.

Mr Eric Howe, Data Protection Registrar, has asked 304 councils to provide more information on the purpose of various questions asked on registration forms before he decides whether to prevent the information being stored on computer. Only 37 of the forms examined have been exonerated.

He is questioning 20 different categories of information, including relationships between those in a household, dates of birth, telephone numbers, further education details of students, and dates when premises are occupied.

If he decides the information contravenes the act, the councils will have two options. They can either destroy the information or transfer it to manual files, which are not subject to the act.

Mr Howe said yesterday that 22 councils unnamed - had not even bothered to send him their registration forms, and they may have omitted to register under the Data Protection Act. He warned that failure to register could lead to unlimited fines in the courts.

Some local authority leaders believe the impact of the flawed questions on the timetable for collection of the tax could be chaotic. Ministers are being asked to clarify the situation urgently.

Mr Hunt said he was "very disappointed" that some councils had not followed the Government's advice on what questions should be asked on the registration form. He said the advice was agreed in advance with the local authority associations.

"Some councils seem to have demanded information to which they have no legal right," he said. "This is wrong and every possible step should be taken to ensure that such information should not only be kept off computers but should be destroyed."

One difficulty has been that although guidance was certainly given by the Department of Environment, it was left to local authorities to draft their own registration forms. It is only those that ask simply for the details of all those aged over 18 in a household that might not contravene the law.

South-east is 'key' to EC success

By John Hunt, Environment Correspondent

LOCAL AUTHORITIES in south-east England have stressed the importance of the area remaining the "leading edge" of the economy if Britain is to succeed in the EC.

The London and South East Regional Planning conference (SERPAN) yesterday published a consultation document which stressed the importance of London remaining an international financial, cultural and tourist centre.

It said the capital and the south-east should develop their role as a leading EC region. SERPAN represents the 13 shire counties and 98 district councils in the region, plus the 33 London boroughs.

It sees congestion, economic overheating and resistance to development as threats to the region's ability to "earn its own living and contribute adequately to the national good."

It also emphasises the need to co-ordinate transport and to link this to land use planning. It rejects restraints on the number of homes to be built and proposes housebuilding at a rate of 57,000 a year into the next century.

The proposals are intended to provide a strategic plan for the south-east up to the year 2006. After consultation, it will be sent to Mr Chris Patten, the Environment Secretary later this year.

He will take it into account when issuing planning policy guidance for the south-east. *The Next Century*, £5, Serpan, 50/61 Broadway, London SW1H 0DB.

Lucas group in deal with BMW and Saab

By John Griffiths

UK COMPONENTS group Lucas Automotive has concluded supply agreements with BMW and Saab which, if only slightly, the near-monopoly which Robert Bosch of West Germany has had on the lucrative West European market for sophisticated car fuel injection systems and components.

Lucas Automotive, part of the Lucas Industries engineering-to-aerospace group, confirmed yesterday that it is to supply 400,000 fuel injectors a year to BMW starting in September.

The group is expected to announce the contract with Saab next week. This is understood to be for complete electronic fuel injection systems, although Lucas would neither confirm nor deny the contract's existence yesterday.

The significance of the contracts for Lucas extends far beyond their immediate value, which is not being disclosed. They are regarded by both Mr Tony Gill, chief executive of Lucas Industries, and Mr Bob Dale, automotive division manager, as "break-through" agreements offering the potential for much larger supplies in the future, not just with BMW and Saab but with other vehicle makers.

"We are very hopeful of further orders," said Mr Dale. It also emerged yesterday that Lucas has already begun talks with Toyota, Japan's largest vehicle maker, on the potential supply of a wide range of components in Toyota of its UK plant to produce 100,000 cars a year, starting in 1994.

The BMW and Saab contracts are seen as helping to justify the traumatic restructuring of Lucas' automotive operations in the past few years, which has seen the loss of thousands of jobs and the sale of some component activities to Continental rivals such as Magneti Marelli of Italy.

The two deals follow disclosure by Lucas Automotive earlier this month that it plans to increase more than five-fold - to 500,000 units a year annually - its capacity to produce sophisticated, electronics-based anti-skid car braking systems.

Both are in line with Lucas' declared strategy to concentrate on high-technology components and systems in the six divisions into which its automotive operations have been reformed.

Under the BMW deal, Lucas Engine Management Systems, one of the six divisions, will supply the injectors for fitment initially on the 3-litre engine BMW fits to its larger cars.

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UNIVERSITY OF MANCHESTER

Clarke gives details of contract for GPs

By John Hunt

THE NEW contract under which family doctors' pay will be related to performance was published last night by Mr Kenneth Clarke, Health Secretary.

Despite the bitter opposition of members of the profession who have voted three to one against accepting it.

He has written to all family doctors enclosing copies of the contract, including the modifications agreed during negotiations.

Mr Clarke's action means that the contract is being imposed on the general practitioners. He is to introduce an order in the Commons to approve the new arrangements and said the Government intended to introduce them in April.

Last night he made it clear that no further negotiations are envisaged on the terms being offered to doctors.

"We have now reached the point where we must bring the discussions to a fair and sensible conclusion," he said.

However, Mr Clarke abandoned his earlier threat that the contract would be even tougher if GPs failed to agree the terms.

He has kept four concessions which he agreed to insert during negotiations. After internal discussions on Mr Clarke's letter, the British Medical Association put out a cautious statement.

"Mr Clarke already knows doctors' views," it said. "GPs have just voted overwhelm-

ingly to reject the contract as they believe it will damage patient care."

The BMA is in a difficult position. It has urged doctors on the General Medical Services Council at first reluctantly recommended the deal, a ballot of GPs voted 75 per cent against acceptance.

"Good GPs will have nothing to fear from their new contract," Mr Clarke said last night. "Patients will benefit from better services and the GPs who provide them will be better paid."

He said that the new arrangements would be fairer and more effective than the 25-year-old contract they replace. He said they would not affect

the average amount which doctors are paid nor the average size of doctors' lists of patients.

Concessions which will be retained in the deal include the retention of seniority payments. Those will be at a reduced level, but with the opportunity to increase them to previous levels.

There will be a lower threshold for payments for child immunisation and cervical cancer screening. The rural practice payments scheme will be retained until a decision is taken on revising it; and payments based on the average size of the list of a partnership will be continued instead of on personal lists as originally proposed.

Britain 'should close open door to hostile takeovers'

By Clare Pearson

BRITAIN is in danger of becoming a happy hunting ground for international corporate raiders and US promoters of leveraged buy-outs as its takeover regulations fall out of step with the rest of the world, according to a new report from Prima Europe, the public policy consultancy.

As politicians and legislators - even in the US - begin to adopt a critical attitude to hostile takeovers, the report urges that Britain's takeover rules should be brought into line with those of the world's major industrial countries with a free market in corporate control.

Prima Europe says the most immediate danger of failing to make such changes is that the £100m bid for BAT Industries by the consortium led by Sir James Goldsmith will stimulate a flood of leveraged buy-outs. It says these deals aggravate short-termism and make businesses more vulnerable to the economic cycle.

They have been forcefully criticised this year by Mr Nicholas Brady, US Treasury Secretary, while Delaware state legislators have recently upheld the right of directors to make takeover decisions.

The report says the Government should explicitly recognise, as it has sometimes done unofficially, that there are wider grounds for a reference to the Monopolies and Mergers Commission than a potential threat to competition - including very high leverage.

The built-in advantage that bidders now enjoy should be eliminated by enforcing a fuller disclosure of information and reducing the threshold at which a full bid must be made from 30 to 15 per cent of the share capital.

The imposition of a delay before newly acquired shares can be voted should also be considered. "Takeovers: Britain the only one in step" £12.50, Prima Europe, 10 Cork Street, London W1K 1PD.

Local authority savings up by 70%, says report

By Richard Evans

LOCAL AUTHORITIES in England and Wales have increased savings by 70 per cent in the past year by introducing additional value for money measures, according to the annual report of the Audit Commission published yesterday.

Commission recommendations on possible savings by councils resulted in "value improvements" of £372m at an annual rate, compared with £219m in the previous year.

The savings have been achieved over a wide range of local government services, including cutting teaching and non-teaching costs in secondary schools following the reduction in school rolls; additional hours worked by lecturers and better use of premises in further education colleges; rationalised refuse collection services; better monitoring of energy consumption; and more efficient purchasing and cash management techniques.

A further £550m of opportunities for budget savings have been identified by the commission's auditors but not yet picked up by councils.

Mr David Hunt, the newly appointed Minister for Local Government, welcomed the commission's work on value for money but emphasised that there was much more still to be accomplished.

"This is a good start, but the sad fact is that some councils still give their ratepayers very poor value for money. Councils must move towards greater efficiency and give a better deal for local communities," he said.

The report says that significant changes in local government legislation on the community charge, competitive tendering, local management of schools and the national curriculum had had a substantial impact on local authority management and auditing.

Audit Commission report and accounts for year ending March 31, 1989, HMSO, £5.

MoD to sell 200 acres in NW London

By David White, Defence Correspondent

MORE than 200 acres of prime Ministry of Defence land in north-west London are due to be sold in a long-awaited reorganisation of military facilities in the area.

The plan includes closure of six sites and is expected to net the MoD at least £62m - taking into account the cost of relocating the units. Lower running costs over the next 10 years would bring total savings to more than £80m, the ministry said.

The planned closures include the Mill Hill barracks, where security arrangements were criticised after an IRA bomb attack a year ago.

Army and RAF units in the area are to be concentrated on three main sites - Uxbridge, Northolt and Bentley Priory.

The announcement, made yesterday by Mr Michael Nibbel, junior Armed Forces Minister, follows the Commons Defence Committee's recent

criticism of MoD delays in selling 4,000-odd acres of surplus property.

The ministry said its plan, spread over five years, would involve "little reduction" in staff levels, since main units were being relocated rather than closed, but it said: "The possibility of some redundancies cannot be ruled out."

Staff were notified yesterday, and a consultative document has been sent to unions. The

ministry said discussions with local authorities on planning permission would start shortly.

The plan includes two in Hounslow - the Royal Army Ordnance Corps base at Beavers Lane Camp, which will be rested at RAF Northolt, and the Cavalry Barracks, which are due to close by 1995. The London District Transit Centre based there will move to RAF Uxbridge.

Leeds survey confirms economic slowdown in north

By Ian Hamilton Fazey, Northern Correspondent

LEEDS Chamber of Commerce yesterday warned that stagnation - a high level of inflation combined with a stagnant economy - is a real danger unless consumer credit is brought under control faster than an increasingly apparent reduction of investment in industry.

THE PROPERTY MARKET

Pressure for change

By Paul Cheeseright

A amendment by amendment, the Government is edging towards the introduction of the uniform business rate on April 1 1990, bringing about the most profound change in decades to commercial property taxation.

According to the Department of the Environment, there are no further changes in the offing to the announced plans for the switch from the old system of locally-based rates payments to the new, centralised system.

But the pressure for change remains. It is the subject of the accompanying article. Still, the latest Government moves respond to the demands for an easier transitional period from the small business lobby.

The first revaluation of commercial properties since 1973 has inevitably meant that

some properties - offices in the south-east especially and prime retail premises nationwide - will face sharp rate increases.

In contrast industrial property users in the midlands and north will have lower rates bills.

To mitigate the pain of the increases, the Government has for long agreed that there should be a transitional period during which the full scale of the higher bill will be phased in.

But, because the Treasury will not accept any diminution of revenue - that is the money

drawn in from the uniform business rate in 1990-91 should be the same as that drawn in from the present system in 1989-90 - there is a matching transitional period for those with lower rate bills.

The Government refined the nature of the transition by differentiating between large and small business. Where the rates bill rises, there is a ceiling of a 20 per cent increase plus inflation each year for the former and 15 per cent plus inflation for the latter.

It estimates that the annual

reduction in rates for those with lower bills will be 15 per cent for small businesses and 10 per cent for the large.

What the Government has now done is to change the definition of what is a small business. 'Small' is classified as a property with a rateable value of £15,000 in London and £10,000 elsewhere, double the previous classification. The effect, said Mr Chris Patten, the Environment Secretary, is that 'over 75 per cent of all businesses will benefit from the more generous rateable

threshold.'

But the protection for those facing rate increases during the transition is restricted. It applies only to those occupying a property before March 31 1990 and remaining in it. If a property changes hands during the transition then the new occupier has to pay the full rate of increase immediately.

If, on the other hand, the rates bill for a property is lower, the phased decline will continue, whether there is a change of occupier or not.

What all this means is that, as the Inland Revenue puts it, 'nearly 700,000 properties in

England benefit from having their increases spread beyond the first year, at the cost of deferring reductions for less than 400,000 properties.'

While it is true that the size of a rates bill is rarely the determining factor in deciding on the occupancy of one property instead of another, the immediate cost savings of phasing can be significant.

Baker Harris Saunders calculated the benefit of phasing on a larger City property at £5.00 per square foot and on a West End property at £11.00 a square foot.

But the benefit for an office user in the south is a continuing burden for an industrial user in the north. Hence the continued anger that lower rates arrive in a dribble rather than a flood.

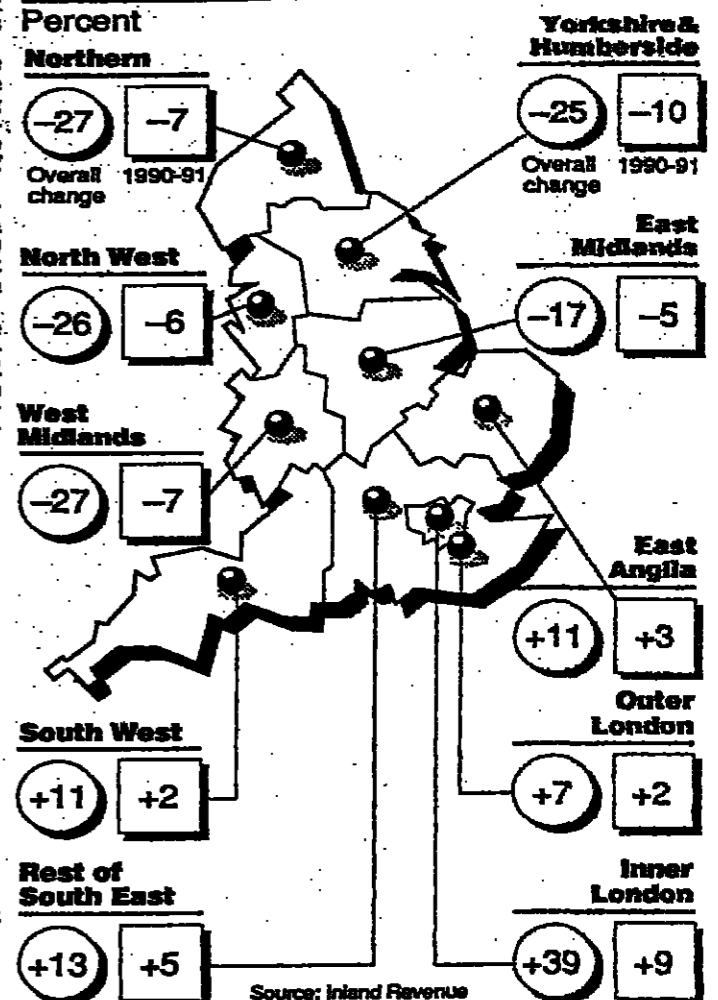
valuation lists on which the uniform business rate will be based have not yet been published.

When they are, the revaluation will inevitably throw up a large number of appeals against the assessments made by the Inland Revenue of the rateable values of individual properties. But this process will run into a further revaluation.

The Government has made clear that revaluations should take place every five years, that the distortions which arise from waiting 15 years for a revaluation should be avoided in the future.

But this means that the next revaluation will be taking place before the transitional period starting in 1990 will have been completed.

Rates Bill changes in England



A relatively trouble-free ride for the business rate

Industry, starting from the point that it wants less tax on the business community anyway, is maintaining its demand that the uniform business rate should not be set in reference to 1989-90 but to an earlier year. It should be lower.

The National Federation of Self Employed and Small Businesses, with the change in the small business definition under its belt, is not happy with the ceiling over the increases in a rates bill and wants its lowered to 10 per cent a year, plus inflation, and compounded. It believes that the restrictions on the change in premises will encourage businesses to sit

tight.

Certainly the Government's freedom of manoeuvre is restricted by its determination to hold the return from the uniform business rate at the same level as the 1989-90 rate. It cannot appease the north by granting immediate relief or placate the south by extending the transitional period.

It is easy to extend the argument of relief from new tax

out of the domestic sector, where the principle has been accepted, into the business sector.

In Scotland, where the uniform business rate has already been imposed, the Government is spending £67m to help lower the rate on business in order to erode the difference between English and Scottish business rates. It is doing this by increasing the Exchequer

grant for 1990-91 to local authorities.

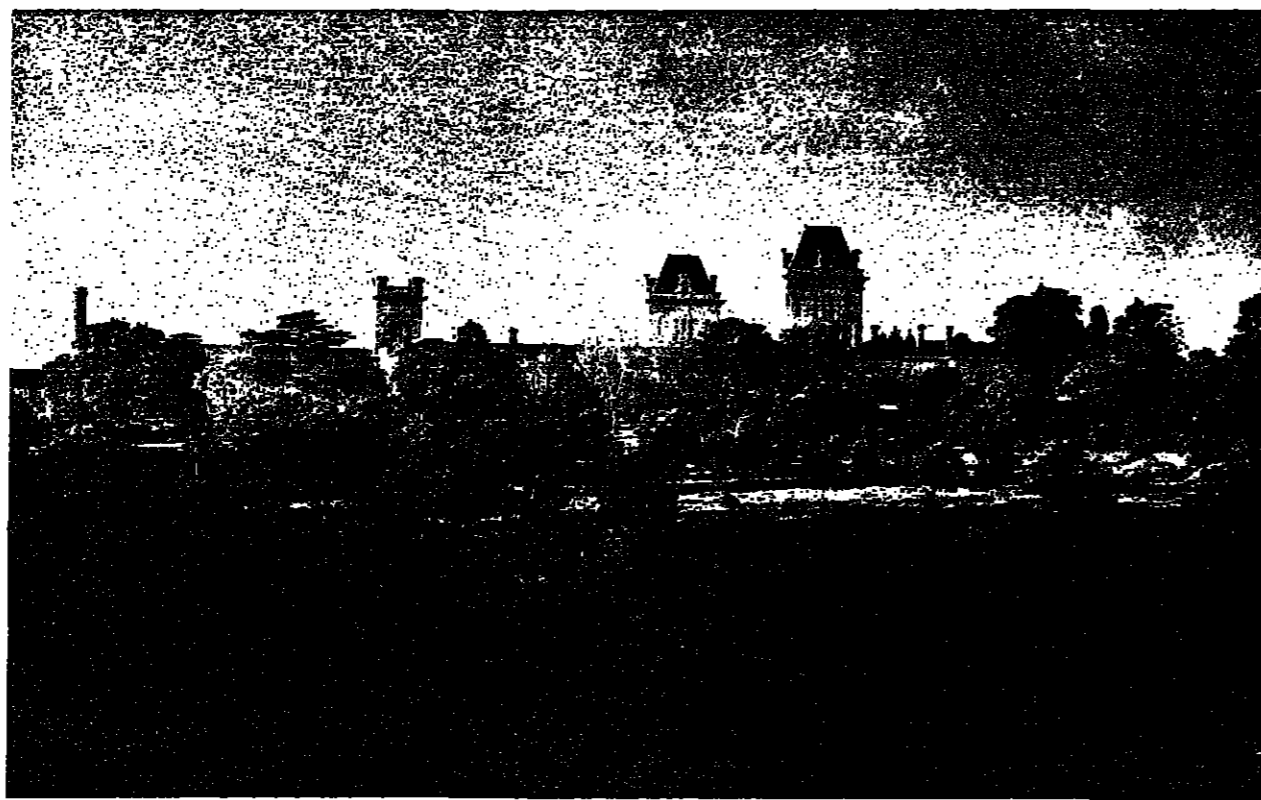
So the stand on returns from the uniform business rate in England and Wales looks to be based more on convenience than principle. The distinction is one that critics of the Government will exploit over the coming months.

In any case, the Government is probably running into an administrative morass. The

	Rental value growth (%)			
	Retail	Office	Industrial	All Property
Year to Dec 88	19.9	27.8	22.2	23.9
Year to May 89	16.8	22.4	25.1	20.4
Monthly rate - May 89	2.0	1.8	2.0	1.9

Source: Investment Property Databank

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EXHIBITIONS

London

The National Gallery. The Artist's Eye - this year the abstract painter, Bridget Riley's turn to take her pick of the collections. She chooses a mere seven works, but all of them masterpieces - great figure compositions by Titian, Poussin, Veronese, Rubens, El Greco and Cezanne. Daily until August 31. The Whitechapel Gallery, Evan Uglow - a retrospective of the paintings of the nude by a painter who is at once the most severely objective and the most seductive of our painters of the figure. Until September 3; closed Mondays.

Paris

The Louvre. The glass pyramid, built by I.M. Pei, the Sino-American architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Erected as a medieval fortress in 1200, the Louvre later expanded into a renaissance royal palace only to be turned into a museum in revolutionary 1793. Since then, the modernisation of the museum's infrastructure became a matter of utmost urgency and the pyramid's centralising role is an important step towards the completion of the project of the Grand Louvre planned for 1995. It will involve the moving around of 800 of the exhibits, but the three stars - the Mona Lisa, the Victory of Samothrace and the Venus de Milo will remain firmly in place. Open 9am-6pm, Mon and Wed until 8.45pm, closed Tues. Centre Georges Pompidou, Matisse drawings. Some 100 works retrace the painter's creative development from the post-academic beginnings to the future period and to the greatbrush drawings of the 1940s and 1950s. The mixture of accomplished masterpieces and of rapidly dashed off sketches, adds a refreshing flavour to the exhibition. Closed Tues, ends Aug 27. Centre Georges Pompidou and La Grande Halle de la Villette. A mammoth exhibition - Les Magiciens de la Terre - is ambitiously subtitled the First World Exhibition of Contemporary Art. Taking four years to prepare and costing FF730m to stage, the exhibition needs all the space of the 5th floor of Beaubourg and the Grande Halle de la Villette to accommodate the 100

artists - half of whom come from the third world - whose works span the globe. The exhibition assembles dark paintings by African aborigines, a house repainted for circumcision ceremonies in South Africa, effigies of 19th and 20th-century Benin and decorated coffins from Ghana. Even the western artists were chosen according to their relationship with the Third World. Centre Georges Pompidou (4271233) and Grande Halle de la Villette, 211 Ave Jean-Jaures, Metro Porte-de-Pantin (4247722). Both exhibitions closed Tue and ends August 14.

Martigny

Fondation Gianadda. A Henry Moore retrospective of some 50 sculptures, 80 drawings shown in rotation and 60 engravings is as impressive by the judicious selection of exhibits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. There are family groups, majestically reclining feminine figures, the hieratic couple of the King and Queen. But most of all, the works, be they in bronze, marble or alabaster, be they of vast proportions or fitting into the palm of a hand, are a hymn to eternal motherhood. Ends Nov 19 (029-233978).

Brussels

L'Eclaireur. 20th Century Crystal, ends August 30th, 187, Avenue Louise. Centre Culturel le Botanique. A sense of catastrophe - art in the 1980s shows works of American and European artists. Closed ends August 13.

Frankfurt

Schirn, Kunsthalle, Am Römerberg 6a. A Wassily Kandinsky retrospective (1886-1944). Wassily Kandinsky, initiator and founder of the famous Blue Horse style also created a new form of abstract painting. He left Russia four years after the revolution and was forgotten for many years. To rehabilitate him 45 years after his death, 20 museums from all parts of the world have lent about 170 oil paintings, watercolours and drawings for this unique exhibition, only to be seen in Frankfurt.

Bonn

Kunsthalle am August-Macke-Platz, Hochstadtstrasse 22. Centres, Residences and Metropolis in German History. This interesting exhibition, organised by Bodo-Michael Baumunk, has about 1,500 pieces on loan from private collections and museums. It is the government's contribution to Bonn's 2,000th anniversary. The ground floor of the Kunsthalle, with all walls painted black for effect, offers a view of important paintings, silver items, signposts and personal distinctive belongings of German politicians, from the Middle Ages up to the present. Aachen is represented as the seat of Charle-

magne, Nuremberg as the Emperor's city, Regensburg as the town of the everlasting diet and Frankfurt as the seat of Germany's first national parliament. There are also portraits by Kokoschka of Konrad Adenauer, Theodor Heuss and Ludwig Erhard. A reconstructed model shows the original layout of Berlin's famous Wilhelmstrasse, the location of the Prussian government and empire. A constructed steel bridge leads the visitor into the postwar period. Here, can be traced the first years of the Federal Republic of Germany and its capital Bonn. Sketches and models for the Bundestag are on display as well as photographs of the first German Chancellor, Konrad Adenauer, who strongly influenced the political postwar development. Ends August 20.

Bremen

The Kremlin Gold. The exhibition is jointly organised by the Bremen Uebersee Museum and the Moscow Kremlin Museum. This exhibition of the golden smith's art covers the early Byzantine period through to the beginning of the 20th century. It shows the different styles of the golden smith's art such as filigree and enamel work in the 18th century, colourful decorations with precious stones in the 17th century, followed by the European influence of the 18th century, Bremen Uebersee Museum, Bahnhofplatz.

Amsterdam

Amsterdam Historical Museum. A selection of 70 design drawings from the private collection of art dealer Lodewijk Houkelaar. Spanning four centuries, they range from delicate architectural detail to grandiose pipe-dreams, and merely what the appetite to see more from this fabled collection of more than 1,000 sheets. Ends Sept 17.

Vienna

Secession. Never to be accused of neglecting the younger generation of Austrian and international artists, this gallery is exhibiting the Vienna artistic scene during 1989 as well as a marvellous photographic exhibition by Astrid Klein. Until August 27. Schloss Grafenegg, in Lower Austria. Besides a marvellous place to visit, there is a wonderful exhibition of children's books and fairytales. Until September.

Rome

Galleria Nazionale d'Arte Moderna. The Secession Garden contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd, Morris), to conceptual art and Arte povera, with works by Gilbert and George, Paolillo, Merz, Pistoletto and Kounellis, ending with some curious examples of German

neo-expressionism. Until Oct 2.

Turin

Russian and Soviet Art: 1870-1930. Renzo Piano, architect of the Beaubourg, has given the 250 works chosen from Soviet museums by Giovanni Carandente an immensely effective setting, turning the ground-floor workshops of the disused Fiat factory into the equivalent of an Arab tent. The works are hung on suspended panels of white gauze, divided into 22 more or less chronological sections, complemented by the immense Bolshevik-red banners which flutter in the breeze in the square outside. Many of the early figurative paintings on show give evocative glimpses of life in the Russian villages and the particular quality of light and landscape, notably Vasiliev's Autumn Woods, Nesterov's pensive girls in traditional dress at the lakeside and Vinogradov's inviting summerhouses on the slopes of the Crimean hills, with their unexpectedly luxuriant gardens. Cosmopolitan and sophisticated, Russian artists could not have been in closer contact with contemporaries in France and Germany. Matisse was in Moscow to install his two paintings, Music and Dance in the house of the collector, Sergei Sukin, and two symbolist works on show by Petrov-Vodkin. Youngsters and The Thirsty Fighter contain clear echoes of these. The giant figure of the prototype of impresarios, Diaghilev, looms over the exhibition. There are two portraits, one of Sergei, and another, dated 1904, and another, with his old nurse, painted by Bakst in 1906. There are numerous original designs for the sets of the Ballets Russes: Petrushev (1911) and Pavillon d'Armide, by Benois (1907), the ballet which marked the beginning of Fokine's career as a choreographer and that of Nijinsky and Pavlova as dancers, at the Mariusky theatre. A number of remarkable portraits stand out from Vladimir Tatlin's empty-faced Sailor to Alzhan's faintly expressionist portrait of the poetess Anna Achmatova (1914), with its intense blues and yellows, Serov's mournful Grand Duke Pavel Alexandrovich and Chagall's Red Jew. Chagall has a section to himself, which includes a number of charmingly domestic scenes, such as The Dutch Window, as does Kandinsky, with three fine works, including the large Composition VI from the Hermitage. Ends October 20.

Sopote

Rocco Albornoz and Church of S. Nicola. 17th century painting in Umbria. The exhibition is the fruit of nearly 20 years of research work by Professor Bruno Ottociano and a group of helpers, who have been through Umbrian churches and convents with a toothcomb, and the gloriously restored results can be seen in close to two settings (of which the latter is by far the most satisfactory). The works are uneven in quality, but all are interesting, each telling a story (often with the sponsor looking pious in the lower right-hand corner), and offering a glimpse back in style to earlier artists such as Perugino. Not all are by local painters: a notable exception is fine work by the French painter, Jean l'Homme (signed and dated 1631), and some are discoveries, such as an unknown, Francesco Furlan. One of the most beautiful is the Maestro di Serrone's arresting and enigmatic Workshop of San Giuseppe where Christ (with an almost Victorian head of curls and roughly eight years old) standing between his parents forms a rough cross from wood fragments from the workbench, and binds them together with thread from his mother's sewing-box, a mysterious smile on his face, while his parents' eyes meet in anxious premonition. Ends Sept 23.

Venice
Museo Correr. French Impressionists from the Mellon collection at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's seascapes, Seurat's La Grande Jatte, and Renoir's Madame Monet and Son. Ends Sept 4.

New York

Museum of Modern Art. A retrospective of the work of Helen Frankenthaler covering 40 years in 40 paintings explores the development of abstract expressionism since the war. Ends Aug 30.

Washington

National Gallery. More than 400 images are part of a massive retrospective of the 150 years of photography, here represented by Alfred Stieglitz, Walker Evans, Lazlo Moholy-Nagy among dozens of others. Ends Aug 13.

Chicago

Art Institute. Two years after his death, Andy Warhol continues to make news with his new diary; even his work retains surprising freshness amid the variety of styles that extend far beyond familiar images like his Marilyn Monroe and Campbell Soup tins. Ends Aug 13.

Tokyo

National Museum. Heijokyo Exhibition. Important archaeological finds excavated in the past 30 years in Nara, where Japan's capital and imperial palace were located in the eighth century. Closed Mondays. Telen Museum. Takeji Fujishima (1867-1945). Fujishima's work reflects the course of European Modernism but remains quintessentially Japanese in its delight in decoration for its own sake. The paintings on show include, landscape, still life and portraits. Closed Mondays.

OPERA AND BALLET

London

Ballet. At the Coliseum the Bolshoi Ballet storms through a repertoire of full-length ballets, including *Giselle*, *Spartacus* and *Romeo and Juliet*.

Paris

Grand Palais des Champs Elysees. Ballet Moltislaev: Russian and world folk dancing (48787815).

Bayreuth

Bayreuth Festival. Wagner fans from all parts of the world will see the premiere of a *Parsifal* production by Wagner's grandson Wolfgang, Conductor James Levine leads a strong cast including William Pell in the title role, Bernd Weikl, Matthias Hoelke, Hans Sotin, Frank Mazzoni and Waltraud Meier. After criticism of Harry Kupfer's *Ring* cycle production, changes are expected for the revival. The main roles are once again sung by Siegfried Jerusalem/Rainer Goldberg, John Tomlinson, Peter Hofmann and Nadine Secunde. *Lohengrin*, conducted by Peter Schneider has Paul Frey in the title role, Cheryl Studer/Nadine Secunde, Eckehard Wlaschuh, Gabriele Schmutz and Elke Wilms Schulte. *Tannhauser* returns, after a one year break with the new Venus Rutiland Engert-Ely, Cheryl Studer.

Verona

The Arena. This week's performances include Verdi's *Nabucco*, conducted by Daniel Oren, Gluck's *Orfeo ed Euridice*, the 1913 edition of *Aida*, conducted by Pinchas Steinberg (Aprile

dar, Wolfgang Brendel, and Siegfried Vogel, in Wolfgang Wagner's delightful production).

Rome

Terme di Caracalla. *Aida* conducted by Nicola Rescigno, in a revival by Silvano Busotti of the spectacular '50s edition, with six horses now replacing the superannuated camel. The excellent Aprile Millo alternates with Antonella Banaudi in the title role, Dolores Zalcik sings Amneris, and Giorgio Lamberti and Giuseppe Giacomini. *Radames*, also *Romeo and Juliet*, with choreography by the Rome Opera ballet company director, Riccardo Muti, with Margherita Parrilla and Mario Marozzi in the lead roles. (4617.55/4636.41).

Vareggio

Puccini festival (at nearby Torre del Lago). Madame Butterfly, with Yoko Watanabe and Doro Baffino, conducted by Bruno Moretti, and *Turandot*, with Olivia Stapp, Antonio Ordonez, Lucetta Bazzi and Paolo Wacziarg, in Claudio Abbado's production, designed by Maurizio Balo. (0363.322).

Verona

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New York

New York City Opera. The week features the first performance of *The Midway* with Lisa Saffir and Richard McKee in Loft Mansour's production conducted by Peter Howard. Other performances include *Die Zanderville* conducted by Scott Bergeson with Elizabeth Hynes as Famina, Elizabeth Carter as Queen of the Night and Walter MacNeil as Tamino; and *Rigoletto* with Maureen O'Flynn as Gilda, Susanne Marceau as Maddalena and Pablo Elvira in the title role, conducted by Scott Bergeson. Lincoln Center New York State Theatre (877 4700).

Washington

Kirov Ballet. The company continues its week with *Les Sylphes*, *Chaplinian*, *Paglietta* and *The Sleeping Beauty*. Kennedy Center Opera House (364 3770).

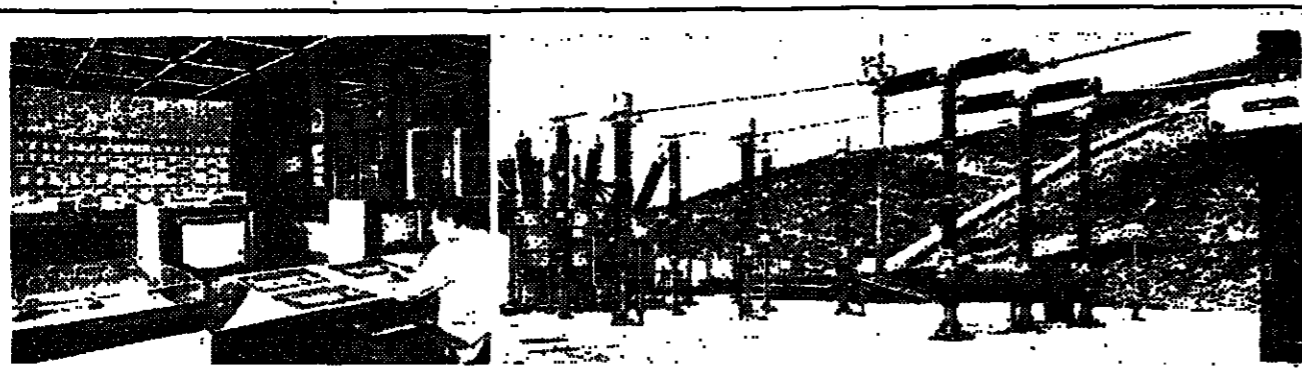
a male Chinese spy (246 0220). Phantom of the Opera (Majestic). Stuffed with Maria Blom's gilded acts, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6300).

Chicago

Driving Miss Daisy (Brilliant Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Tokyo

Les Misérables. Imperial Theatre (201 7777). Strongly-cast revival (in Japanese) of the stirring musical of the storming of the Paris barricades. The production is a recreation by Trevor Nunn and John Caird of their London original - complete with John Gutter's superb set and lighting. Noh. National Noh Theatre (Wed at 1pm) (423 1311). *Hanjo* (The Girl whose Lover Went Away), by the great 15th century noh master Zeami. Plus a kyogen comic interlude. Japan's most eclectic art form is not to everyone's taste, but everyone should see it at least once, since it is the world's oldest living form of drama of any importance.



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FINANCIAL TIMES

ARTS

Bolshoy Spectacular

COLISEUM

The final offering in the Bolshoy repertoire is an evening of showing off: for showing off classic and romantic style, and those assault-course moments of leaps and spins, and teeth bared in triumphant smiles. The more extravagant moments, the filling in the sandwich for *fourth time*, are framed by *Les Sylphides* and the last act of *Ragmunda*. What is so admirable about these sylphides is their warmth of manner. Casts nearer home tend to look as if perched on a tightrope, but the Bolshoy's women are as airy as one could wish, but unimpaired by that misbegotten gaze and weak-pulsed movement that is the local approximation of "Peking style".

So, in Wednesday night's performance, how good to see the soaring Erika Luzina in the mazurka, and the floating Nina Speranskaya in the little waltz, telling us about the movement with the most delightful charm. Nothing mopey here, but full-toned and beautifully phrased movement, echoed by the dancing of their sister sylphs, and from Alla Mikhailchenko a delicate account of the leading role.

There followed those divertissement duets which rely upon technical prowess rather than artistry. Pas de deux from the hallowed classics were paraded like so many circus horses - one of the two of the ages tending to bolt, eyes rolling and plumes awry - but if there must be these affairs, then the Bolshoy gives its public ample measure of tricks and dizzying spins. Two items seemed to me to be of real merit: Irek Mukhamedov's glorious dancing in the *Coro de la Sinfonia*, and the second act of *Bourdonville's La Sylphide* for Lyudmila Semenyakina and Andrey

Fedotov. Mukhamedov, at his moodiest and most magnificent as the slave, took to the air, carving marvellous shapes - like the superb technician he is - but also establishing a character, like the even more superb artist that he is. Knockabout dress made gold. As with those other Kirov-school ballerinas, Kropakova and Makarova, Semenyakina has a natural and bewitching affinity for the Sylphide. She set out Bourdonville's delicate mime, his buoyant dances, with all the proper airs and graces, the delicious trappings of romanticism seeming natural, poetically true. Fedotov, with a marvellous jump and a bright ring of temperament to every step, is clearly a fine James, pure in style, eager in manner. A rare talent.

Fedotov was also one of the soloists in the last act of *Ragmunda*. As we know from the company's last visit, Grigorovich's staging is a feast of classic dancing (I wish his *Sleeping Beauty* had been as well presented this season) and in a celebrated male quartet the Bolshoy men provided such natural and easy: sixteen classic soloists, the vivid ensemble in the character dances, demonstrate a grand assurance - and it is worth watching Gediminas Tarsanda in a solo fragment to see how rhythm can inhabit a dancer's body. Nina Ananishvili was a youthfully attractive *Ragmunda*, Alexey Fadeychev her ever-eager cavalier.

Under Agis Zharitski and Alexander Kopylov, the Wren Orchestra has provided sure accompaniment this season.

Clement Crisp

A Little Night Music

CHICHESTER FESTIVAL THEATRE

Stephen Sondheim's 1973 musical had a famous last-minute addition, "Send in the Clowns." It is an indication of the great success of Ian Judge's Chichester revival, which opened last night on the 60th birthday of the theatre's retiring artistic director, John Gale, that the item is properly restored by Dorothy Tutin to its dramatic context.

The show was always a *schlager* version of the 1956 Ingmar Bergman movie, *Smiles of a Summer Night*. Hugh Wheeler's book and Sondheim's lyrics set up a curious tension between Scandinavian angst and Broadway bittersweet. Mr Judge and his designer, Mark Thompson, have settled boldly for Scandinavian Post-modern chic rather than the rather stilted turn of the century look I remember at the Adelphi in 1978.

The dinner-suited choral quintet are replaced by wraith-like spirits in pastel 18th-century fig. They glide and stoop, enveloping the characters in their own stories. They all sing superbly. The

renewed encounter of the lawyer Fredrik (Peter McNery) with the touring Bernhardt, Desirée Armfeldt (Miss Tutin), is represented by a gorgeous half-proscenium, full of gam-bolling cherubs, stuck at a permanent angle to the stark, scrubbed facade of the Scandinavian country house.

In the programme, Mr Judge invokes Marivaux while snuffing at Viennese schmaltz. At first I glibed at this, but think he is right. The score is not saccharine, although it combines the rhythms of Johann Strauss with the contemplative lushness of Richard. It is bitter-sweet, tart you might say, and the production is to match. Fredrik's virgin bride (Deborah Poplett) is embroiled with her suicidal, cello-playing stepson (Alexander Hanson), while Fredrik's rival for Desirée, the tempestuous Count Carl Magnus (Eric Flynn), is insufficiently and comically disloyal to the scheming Countess (Susan Hampshire finding a new gear).

By now you must be asking, fine, but can these actors sing?

Hampshire and McNery do extraordinarily well, leaving Mr Flynn to demonstrate the real art of the Sondheim warble, full-throated and simultaneously infective. Miss Tutin gives one of her very best performances, partly because her mellow-European vocal mannerisms are entirely eclipsed by the glacial eccentricities of Lila Kedrova as her mother.

Mother is another story. Madame Armfeldt is supervising the musical by telling her grand-daughter (Debra Beumont) that the night will smile three times - for the young, the fools, and the old. It does so, the triple format reflected in the predominance of the waltz rhythm. These waltzes are gentle, seductive, military and macabre. The Act 1 finale is a syncretic conglomeration of twice in a bar triple time, "A Weekend in the Country", an hour of Mozartian complexity and satisfying narrative unity.

Hermione Gingold hovered with wistful melancholy over all this in New York and London. Her successor, Lila Kedrova, defies comparison by



Peter McNery and Dorothy Tutin

making *Mme Armfeldt*, a creature of swooping and sweeping judgements in a glittering evening gown and an elegant night wig, an irresistible amalgam of Barbra Streisand and Colette. Her vowels are of a death-defying stangulation pitch, and she transforms the sleepy old catalogue song, "Laissons", by bursting in to complain of a

world where kings have become employers. You feel she has not only seen most of old Europe, but consumed it as well.

The musical has been as well thought out and cast as it has been sensitively lit by Nick Chelton. It restores Tutin and McNery in their rightful positions in the front rank. And

Michael Coveney

Massenet's 'Chérubin' in Santa Fe

Five productions, all of them brand new, make up the Santa Fe Opera's thirty-third season, which opened at the end of June and will finish in three weeks' time. To London-based opera-goers, used to a similar number of fresh productions eked out through a whole year at Covent Garden or the Coliseum, the energy and the depth of resources available to this company are salutary. Not content with enjoying what must be one of the most spectacular settings for an opera house anywhere in the world - perched at 7000 feet among the red ochre hills of New Mexico, and open to its endless velvet-black skies, the company is always seeking to enrich and expand its repertoire.

As well as a regular commitment to presenting brand new works, the roster of operas for which Santa Fe has mounted the American premieres is immensely impressive and catholic too: *Lulu* (in both two-act and three-act versions), *Owen Wingboe*, *Villa-*

Lobos' Yerma, Stravinsky's *Perséphone*, five operas by Henze, two each by Hindemith, Pendergast and Schoenberg, and the first professional stagings in the US of no less than five by Richard Strauss.

The novelties this year are the US premiere of Judith Weir's *A Night at the Chinese Opera*, of which much more tomorrow, and Massenet's *Chérubin*, for which no primacy is claimed, but which is nevertheless an exceedingly rare score to happen upon in a fully fledged, not to say lavish, production.

Chérubin was first seen at Monte Carlo in 1905, with Mary Garden in the title role. It is based upon a play by the Belgian dramatist Francis de Croisset, which picked up the story of *Chérubin* where Beaumarchais (and Mozart and Da Ponte) left it. *Chérubin* has advanced to the age of 17, and had the run of his own splendid chateau, but is still hopelessly impulsive and apt to be carried away by almost every woman he encounters.

In the opera he at last is made to realise that quality rather than quantity is what counts in such matters, and for the first time he's able to sort out where his true affections lie.

It is a neatly worked but desperately slender plot, and returning to this highly conventional, stereotyped view of the character so soon after encountering the randy, sweat-soaked Chérubin of Peter Sellers' *Figaro* in *Le Nozze di Figaro* at the Met, New York was a culture shock indeed. A lot too in the music, for though Massenet evidently responded to de Croisset's play with huge enthusiasm, secured the operatic rights and composed the score at great speed, he did not put into it more than a modicum of his best music. Even the most rabid defender of Massenet's worth would find it hard to make a case for very much of this. The pure patches are strictly rationed, and curiously it is the music for Nina, the faithful girl who eventually wins Chérubin's heart, rather than that for the hero himself which

holds most interest.

In Santa Fe the score is conducted for all it is worth by Mario Bernardi, who takes every opportunity to put some muscle into the music, though purists will regret the passing of portions of the second and third acts - a draconian cut near the final curtain brings the opera to an end with a definite jolt. A significant fraction of the singing passes muster too, particularly that of Frederica von Stade as Chérubin (the lad is still deemed young enough to be assigned to a soprano), and whose keenness to sing before any soloists have opened their mouths. Even von Stade is not immune from this desperate plague of over-acting, and neither Massenet's cause, nor that of French comic opera in general, is best served by well-meaning yet embarrassing ventures such as this.

start of the opera.

The remainder of the casting and the production itself by Giulio Gualazzini are considerably less rewarding. Instead of accepting that discipline and an acute sense of style are the ways to overcome the opera's weaknesses, we are confronted with an approach that guys the action at every turn, and in which everyone is encouraged to stand around in the most unlikely of poses. The opening kitchen chorus, danced to a flurry of heriboned sausages and baguettes, sinks one's heart into the ground before any soloists have opened their mouths. Even von Stade is not immune from this desperate plague of over-acting, and neither Massenet's cause, nor that of French comic opera in general, is best served by well-meaning yet embarrassing ventures such as this.

Andrew Clements

BBC Philharmonic

ALBERT HALL

The performance of Strauss's *Ein Heldenleben* at Wednesday's Prom was dedicated to the pianist John Ogden, who died on Tuesday. For a man who spent much of his life championing grand and difficult piano works and in his later years struggled to overcome personal battles with immense fortitude, the theme of a hero's life was by no means inappropriate. To Edward Downes and the BBC Philharmonic Orchestra he had been a personal friend.

The orchestra has often been heard recently at the Proms as the purveyor of large-scale romantic scores and on this occasion they turned in a thoroughly respectable account of *Ein Heldenleben*, even if it fell short of full heroic stature. Downes is an adept Straussian rather than a flamboyant one and the performance was very much the thoughtful affair one might have predicted.

In this work, as in Bar's *Two-pieces* which had opened the programme, the orchestra produced a clean, tensile sound. The general feel was akin to that of the Oslo Philharmonic when they played the same piece here, with strings short on warmth and brass riding the orchestra prominently.

though it has to be said the Oslo players communicated a far more striking vision of the score's structure and detail. The BBC's final chord also offered a sort of different ideas on how to pitch E flat.

Earlier Raphael Wallfisch had joined the orchestra for Walton's Cello Concerto, arguably the least well-known of the composer's trio of concertos for stringed instruments. A few hints of suspect intonation apart, this was an idiomatic performance, which showed a subtle appreciation of how to manage rubato in Walton, teasing out the yearning suspensions to just the right degree.

The piece dates from the composer's time on Ischia and the contented climate of that location is reflected in music that stretches itself languidly in lazy, sensual themes. It is a concerto which seems consciously to assume a profile that is neither deep nor serious, and that no doubt accounts for its having failed to become as popular as the Elgar. Its craftsmanship and seductive lyricism, though, should persuade audiences otherwise.

Richard Fairman



Bernard Bresslaw

The Swaggerer

OPEN AIR THEATRE, REGENT'S PARK

This nightmarishly unfunny refash of *Plautus* leaves one stunned with its mediocrity. To call it undergraduate would be to insult even today's declining educational standards. The fault lies not in the intentions of adapter Brian Trueman, composer Carl Davis or producer Caroline Smith but in their execution. (If, in this French Revolutionary year, you see what I mean.)

They know that *Plautus*' originals were the first musicals, in some cases consisting of up to 80 per cent singing, and that the dialogue was peppered with bawdry, *doubles entendres* and the clowning that we in Britain still enjoy, in expurgated form, in pantomime. The trouble lies with the actual quality of the work: numbingly corny old jokes, leering smut reiterated so that the feeblest intelligence can grasp it ("Can you grasp it?" "Can you - handle - it?" - nudge, smirk). According to this production the Romans fluffed their jokes, like their slaves to death, a greater crime against humanity, theatrically speaking.

The title-role of course defines the Miles Gloriosus, the

braggart soldier, a vain bully, a liar, a lecher and ultimately a coward. His bombastic type is familiar from *commedia dell'arte*, his descendants on the English stage are legion and include the shabby genteel form of Falstaff, refined and moderated by the civilising north. Bernard Bresslaw has nothing to do in the part except huff and puff, boom, snarl and gawp when taken in, like the later fat knight, by false promises of love.

These are provided by Sally Dexter's *Acerbita*, a luscious figure combining elements of Joan Collins and Jane Russell, blue of eyelid, moist of lip and restless of tongue, who vamps her way splendidly through an Act 1 finale as a woman of ill repute just when we are dreaming longingly of the golden age of theatrical sophistication (Brian Rix, *Budgie*). Along with a little drunken song from Teddy Kempner and the bedraggled dinniness of David Mallinson's thick-witted slave Miss Dexter shows there is life and style - in the Park yet.

The plot is soon lost in the general floundering search for a consistent style, and sub-

merged in the jog-trot tinkle of Mr Davis' score that makes one yearn for the trail-blazing trenchancy of *Salad Days*. Four over-the-top "Comedians" comment (indistinctly miked) which scarcely helps with the unfolding of events) and participate from a raised stage within the acting area. Simon Higlett's design gives it an authentic-looking painted backdrop and places the small hand stage right to be led by Stefan Bednarczyk in a toga, setting the ultimate seal of

end-of-term theatricals on the enterprise. Or perhaps that honour should go to Ian Talbot as the manipulating slave Trigo - a complete parody. Two and a half relentless hours of the inextinguishable (unlike me) Mr Talbot produce more funny voices, funny faces and jocular chat with the audience in the interval than we usually get in the whole Regent's Park season.

Martin Hoyle

A Midsummer Night's Dream

FRANKFURT

Britten's operas may be quite well known in Germany, but they are not yet familiar enough to preclude the wonder and respect that seems to greet each new production. The Germans are still learning not to underestimate Britten. This staging of *A Midsummer Night's Dream* in Frankfurt is welcome because it gives such an accurate impression of Britten's genius as a musical dramatist. Gary Bertini and his orchestra show themselves to be completely inside the idiom, playing with the kind of inspired coherence and attention to musical emphases that casts a spell over the whole performance.

Bertini has been equally astute in his choice of cast: all are young and gifted singer-actors, who respond vividly to the music and the stage direction of Thomas Langhoff. After the turmoil suffered by the company in the wake of the opera house fire 20 months ago, it is good to be able to report such a clear artistic success. Britten's Shakespeare opera fits the smaller scale of the Schauspielhaus far better than it would the large theatre next door. Indeed, judging by the clear acoustic and freedom of interplay between stage and auditorium in this production, there may be some who will regret having to return to the rebuilt opera house early in 1991.

The production's least promising aspect is its visual framework. The East German designer Pieter Hein has tried to clarify the distinction between natural and supernatural by putting them on different planes - the front-of-stage world of everyday reality inhabited by lovers and mechanicals, and the supernatural world on an elevated, enclosed stage, with all the dislocated perspectives associated with dreams. The idea is not a bad one, but it is neutered by the clinical, colourless decor, which searches in vain for a contemporary resonance and

makes no reference at all the magic of the wood.

A much better guide to the various levels of awareness is provided by Kazuko Watanabe's costumes: chic white summer suits and long dresses for the lovers, old-fashioned black Sunday best for the rustics and exotic gowns and head dresses for Oberon and Tityana.

What takes the production out of its visual surroundings and on to the music is the quality of ensemble work. Langhoff brings out the comedy, fantasy and innocence, without ever indulging himself or his audience. He is well served by the precocious confidence of the Tolstoyan and Tityana. Puck, David Benenz, who gives the impression of a diminutive, loud-mouthed brat, the kind of gravel-voiced teenage punk who is infuriating one moment, and disarmingly amusing the next. The four lovers convey a sense of youthful abandon and emotional shortsightedness, with the fresh baritone of Rodney Gilfry showing special promise. The mechanicals, led by Gregory Yurishch's Bottom, are all the more effective for the way they resist the temptation to play to the gallery.

But the outstanding contributions come from Jochen Kowalski and Andrey Michael as Oberon and Tityana. Miss Michael's extremely seductive coloratura soprano is matched to a stage personality that combines chaste beauty and feminine radiance. She is a most attractive singer, well able to project the pure delicacy of Britten's music with her unobtrusive technique and fast vibrato. Kowalski is no less mesmerising: his counter-tenor is ample and noble, and he fills the stage with expressive pulse - all of which suggests his Oberon in London with the Komische Oper next week is not to be missed.

Andrew Clark

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

ARTS GUIDE

MUSIC

London
The Proms. Works by 114 composers will be heard during this year's Promenade Concert season, which continues until September 16. Most concerts take place at the Royal Albert Hall, though St Paul's Church, Knightsbridge, and Kensington Town Hall are also used. Tickets for most concerts cost from £3 to £11, and can be booked on 589 8212, 589 9465 (10am-6pm) or 879 4444 (34 hours); promenade tickets are available only at the door on the day of the concert priced at £1-50 or £2.

This week's concerts include London Choral Society and BBC Symphony Orchestra under Lothar Zagrosek, playing Kodály and Brahms (Fri); BBC Concert Orchestra conducted by Barry Wordsworth in a programme of American music (Sat); Academy of Ancient Music, conducted by Christopher Hogwood, in a performance of Handel's *Orlando* (Sun); Royal Philharmonic Orchestra, conducted by Vladimir Ashkenazy playing Brahms, Mussorgsky and Giliere (Mon); BBC Symphony Orchestra, conducted by Andrew Davis and Whittall Lutoslawski playing Ravel, Lutoslawski and Britten (Tue); BBC Philharmonic Orchestra conducted by Edward Downes in a concert of Bar, Walton and Strauss (Wed); and the BBC Philharmonic Orchestra, conducted by Valery Gergiev, playing Prokofiev, Schnittke and Tchaikovsky (Thur).

Paris
Cécile Pascal Moragosa,

Gilles Heury (violin), Yves Henry (cello), Barok, Zlatko Turkin, Barok, Stravinsky (Tue) Auditorium des Halles.
Orchestre Symphonique des Nations en la de France conducted by Bertrand de Billy, Cyril Marie, (piano), Beethoven, Schumann (Wed) Auditorium des Halles.
Chamber Music. String sextet from Lille conducted by Fabrice-Pierre, Francis Pierre, (harp), A. Tisse, N.G. Dao, Schoenberg (Thur) Auditorium des Halles.
Instrumental Ensemble de Capoc Bach, Corelli, Mozart, Vivaldi (Mon, Tue, Wed) Saint-Louis en L'île Church (42331823).
Paris ac Antique Music from the Crusades period, with Guillaume Machaut 14th century, and the Golden Age of Spanish Music 16th century, (Thur) at Sainte Chapelle with its jewel-like 13th century windows, 4 Boulevard du Palais (42405517).

Summer festivals in France.

La Chaine-Dien in Auvergne, Aug 23-30 (71000115).
Saint-Jean-de-Luz, Aug 30 - Sept 16 (6260316).
La Roque d'Anthéron, Aug 1 - 23 (42605115).
Menton, Aug 5 - 21 (63575700).

Amsterdam

National Youth Orchestra, with Adam Gatehouse conducting. Strauss, Debussy, Mahler. (Sun) Concertgebouw.
Mitsuko Uchida (piano), Schubert, Debussy (Tue) Concertgebouw.

Reinbert de Leeuw (piano) Satie (Thur) Concertgebouw.

Vienna

Kammerchor Borande Klever-Trio London. Mozart, Beethoven, Mendelssohn. Palais Auerberg. (Fri).
Haydn Sinfonietta, conducted by Hans Werner Henze in 1978. Closing concert (Sat) at the Tempio di S. Biagio, a mass, "Argemone et Aurum" by the eclectic Flemish composer, Heinrich Isaac, who spent much time at the court of the Medici, elaborated for four voices (Nicolas Howard, Andrew Watts, Niall Morris and Michael Harpham), organ and orchestra (the London Paragon), conducted by Markus Stenz. Until August 14 (717082/738333).

Bad Wörthshofen

Ivo Pogorelich Festival. This festival festival initiated by the Yugoslav pianist Ivo Pogorelich, aims to support young musicians. Among the musicians are violinist Muzard Wulfsen and pianists Franz Massinger and Frederic Chiu. The Southwest Baroque Soloists are conducted by Halmut Erb. Pianist Alexej Sultanov made a very successful German debut in Munich in 1988; the Lithuanian Chamber Orchestra, founded and conducted by Saulius Sonickis, are the winners of the Herbert von Karajan foundation for the best young orchestra; while violinist Kyoko Takezawa won the International Violin Competition in Indianapolis. The Arts Quartet, cellist

Antonio Meneses and his wife pianist Cecile Licad will also appear. The opening concert will be given by Pogorelich himself. Aug 1-8 (08247/82023,3939). Bad Wörthshofen, Postfach 1442.

Frankfurt

Bockenheimer Warte: Andre Heller's great Chinese circus, performs all week.

Cologne

Evita, Andrew Lloyd Webber's musical with Florence Lacey in the title role. (Fri, Sat, Sun) Philharmonie.

Montepulciano

29th Festival of Organ Music. In Tuscany. 14th Cantieri Internazionali d'Arte - founded by the Tuscan composer, Heinrich Isaac, who spent much time at the court of the Medici, elaborated for four voices (Nicolas Howard, Andrew Watts, Niall Morris and Michael Harpham), organ and orchestra (the London Paragon), conducted by Markus Stenz. Until August 14 (717082/738333).

Tokyo

Tokyo Metropolitan Symphony Orchestra, conducted by Naonori Yamamoto. Bach, Beethoven, Beethoven. Suntory Hall (Mon) (822 0777).

FINANCIAL TIMES

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Friday August 4 1989

Italy's role in Europe

MR GIULIO ANDREOTTI'S return to office for the sixth time as Prime Minister of Italy is an encouraging event for those other European leaders anxious to force the pace towards monetary integration within the Community. At the level of heads of government, his commitment to the European "idea" is second to none. Moreover, having spent the last six years as Foreign Minister, he will have gained some awareness of the crucial domestic reforms which are still needed to validate Italy's credentials as a spearhead of European integration.

When Italy takes over the Community presidency in 12 months' time, Mr Andreotti's skills of mediation, much applauded during the last Italian presidency in 1985, could be extremely valuable in launching the inter-governmental conference which is designed to plan for the next stages of monetary union.

When introducing his government's programme to the Italian parliament last week, Mr Andreotti appeared to relish Italy's looming responsibility for calling such a conference. If Mrs Thatcher sticks to her guns she will oppose it. Mr Andreotti will certainly stick to his and should win the question by majority vote in the Council of Ministers. If bridges can possibly be built between conflicting positions at the subsequent conference then there are few better equipped for the task than the Italian Prime Minister and his Foreign Minister, Mr Gianni De Michelis.

Better citizen

Their authority would, of course, be the door of Mr Bettino Craxi, the socialist leader, who may yet be tempted to unseat Mr Andreotti and to force early national elections if his party does well in local polls next spring.

Mr Andreotti will strive to achieve his European goals, but will be hampered by the need to play the political game at home. In this position is not fundamentally different from that of other European leaders. But the Italian version of the game is so complex that the gulf between aspirations and action may prove too wide for even him to cross.

Aligning Italy with the European mainstream does not end here. The Delors report specifies that Italy will be trying harder to be a better Community citizen. For the moment, Mr Andreotti sees the question in the rather narrow terms of a swifter and more efficient application of EC directives. A broader vision would appreciate the need to jettison the petty bureaucratic mind-set practised at Italian borders and for greater realism about opening up the domestic car market to Japanese competition.

The Tate's plight is by no means exceptional. After years of neglect, it is estimated that around £100m needs to be spent to repair the crumbling infrastructure of London's leading museums and galleries. The chairman of the top five institutions recently wrote to the Prime Minister warning of an impending financial crisis. Their protest was immediately echoed by Mr Luke Fittler, the secretary-general of the Arts Council, the body which distributes government subsidies for the performing arts. An inability to maintain buildings and equipment is far from the only problem facing arts administrators. A more immediate concern is how to finance salaries, which in the case of the leading museums rise automatically in line with civil service awards. Government grants to museums and the performing arts are rising at an annual rate of little more than 2 per cent - far below the rate of inflation.

Budget surplus

Many foreigners will find the squeeze quite baffling. Britain, they have been told, is enjoying an economic renaissance. The economy has expanded by more than 2 per cent since the 1980/81 recession. The Government is running a budget surplus approaching £18bn. Artistic endeavour, moreover, is a field where the UK is reckoned to have a comparative advantage. In manufacturing industry, Britain can boast too few companies of world class. But the story is different in the arts: the Tate Gallery, the Victoria & Albert Museum, the Royal Shakespeare Company, the English National Opera: these and other institutions are or were - acknowledged leaders in their fields. Why impoverish them?

The answer has nothing to do with economic necessity

cally urges governments to begin curbing significant economic imbalances. The perilous significance of Italian budget deficits - this year's will be 11 per cent of gross domestic product - needs no underlining in a Europe moving towards free capital movements. Mr Andreotti's coalition will need to show that it has more than a rhetorical strategy for halting the steady accumulation of government debt which now approximates to annual GDP.

Fresh hope

Mr Guido Carli's appointment as Treasury Minister serves to provide some fresh hope since the former Governor of the Bank of Italy is a man of proven ability who says he is ready to risk public unpopularity in the cause of restoring a better balance to public finances.

There is much less reason to doubt Mr Carli's determination than that of some of his colleagues. Italian ministers are generally loath to court electoral retribution and if Mr Carli tries to turn his colleagues towards the sound of gunfire, there is the ever present danger that they will herd in the opposite direction.

Sadly this is only one of several potential threats to Mr Andreotti's sixth administration. Another is the distant danger of renewed civil war within the Christian Democratic Party whose recapture of the premiership after the 1987 general election has regrettably coincided with the return to instability of Italy's governing coalitions. Some of the responsibility for this has to be laid at the door of Mr Bettino Craxi, the socialist leader, who may yet be tempted to unseat Mr Andreotti and to force early national elections if his party does well in local polls next spring.

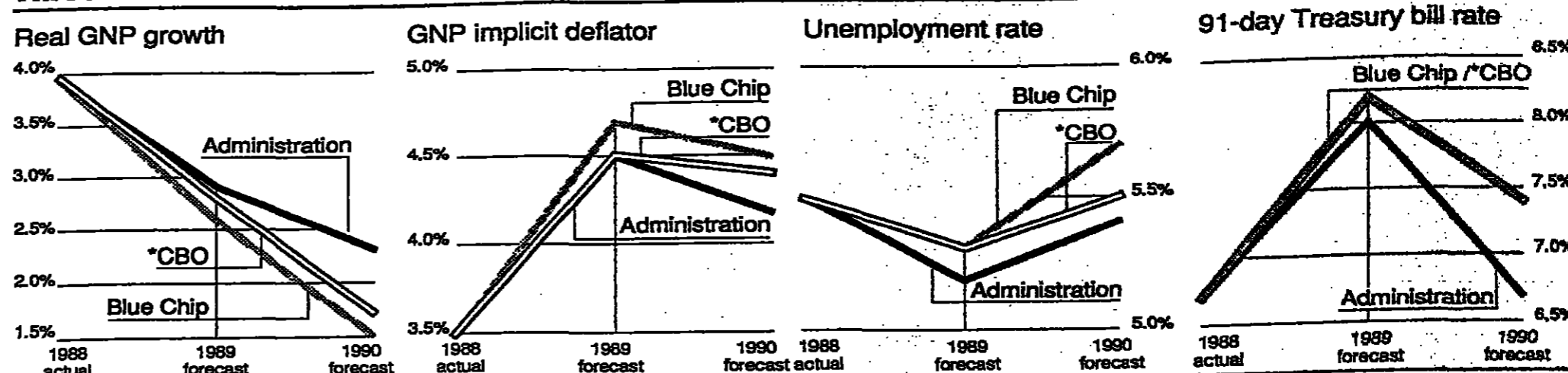
Mr Andreotti will strive to achieve his European goals, but will be hampered by the need to play the political game at home. In this position is not fundamentally different from that of other European leaders. But the Italian version of the game is so complex that the gulf between aspirations and action may prove too wide for even him to cross.

The arts are a negligible drain on the Treasury. Total central government spending - including that on libraries and the heritage - is only £439m, less than a quarter of 1 per cent of total public expenditure. That the arts have been neglected is a political failure, not a financial one. Ministers believe that artistic endeavour and quality of artistic endeavour. Nobody asked why the US lacks anything equivalent to the Royal Shakespeare Company or the National Theatre. Nobody asked what effect commercial pressures would have on innovation in the arts or on participation by different social groups. No effort was made to examine the merits of the very different policies pursued by close neighbours such as West Germany and France.

Arts organisations have done their best to make the new policies work. They are attracting more money from business and they are adopting a more customer-oriented approach. But sponsorship still provides only a fraction of total revenue. Like it or not, the vitality of the arts in Britain will remain dependent on the generosity of the state for the foreseeable future. The three-year programme of funding announced in November 1987 did not seem harsh at the time. But it was not framed with current rates of inflation in mind. Nor did it allow sufficiently for crumbling infrastructure.

Surveys show that a large majority of people from all social classes support higher spending on the arts. The Government should respect these wishes and announce a realistic arts budget this autumn.

Three views of the US economy



Anthony Harris examines whether the long-predicted recession in the US has finally arrived

Tense hopes for a soft landing

The US economy currently looks, to the more easily frightened of those watching it, like an enormous ship heading dangerously near a reef. The traditional fiscal propulsion system is out of service, and the monetary steering gear produces a delayed and rather unpredictable response. Every new figure is examined far more closely than its inaccuracy should justify. Perhaps worrying seems better than doing nothing at all.

People feel helpless. What the strength of the stock market seems to predict, in fact puzzles many investors. Forecasts for the near future, as can be seen, are plentiful but varied; but there is little disagreement about the current facts. The long Reagan expansion has turned decidedly anemic. Manufacturing output has fallen in the last two months; this is mainly because of an inventory problem in the motor industry, which accounts for about 12 per cent of the whole sector.

Sales are some 5.2 per cent down this year, and the industry expects them to fall another 5-10 per cent next year. The market is thought to be saturated. Other sectors are also weak. The current computer slump, which is causing lay-offs and sharply reduced profits, is also put down to saturation, and some confusion over the next steps in technology. Defence spending is subject to bureaucratic and congressional fits and starts but is expected to fall steeply in the long run.

In general, retail inventories are a little high, and total output is expected to fall further in the current quarter. The evidence of the survey of purchasing managers, the most widely quoted survey of current industrial experience, is dramatic, and unusually consistent.

This survey, and manufacturing, could still turn round very suddenly, as they have on occasions in the past. However, some troubles in other parts of the economy are likely to prove long-term. Public spending is caught in a painful squeeze, both at Federal and state level, as the President remains opposed to any tax increases, and state Governors, who are broadly required to balance their budgets, try to limit the increases they are forced to impose.

Meanwhile, Federal fiscal policy is squeezing demand. The deficit has halved as a proportion of gross domestic product, since its peak in the Reagan years, and is expected to go on falling even if the Gramm-Rudman law's target of \$100bn for this year is missed. Taxes are not being raised though loopholes are being closed.

The private economy has its own long-term problems. Housebuilding plans have been cut by 12 per cent

since the start of the year; and although sales have rallied very sharply in the last two months, they are still 6.4 per cent below the 1988 level.

While the decline has been made very sharp by high interest rates, it was expected in any case: the population in the main age group for household formation will nearly halve between the late 1970s and the mid-1990s before recovering.

Fewer factories are being built, though orders for capital equipment are still growing and may prove largely resistant to a mild recession. Commercial development, though, is running well ahead of demand in many parts of the country.

This has worrying financial implications: the long-awaited turnaround in the Texas economy is stalled again, and one of the very few surviving Texas banks of any size has applied for a second rescue by the Federal Deposit Insurance Corporation. Now banks in other parts of the country - especially in former boom areas in the north-east and California - may find themselves in trouble with their construction loans.

This sad list is a reminder that sectoral and regional recessions are nothing new in the US economy; they have punctuated the whole of the six-year expansion, but the buoyancy of the whole economy has turned most of them round. The mid-West - the ruined rust belt of a few years ago - is still optimistic and active, despite the current troubles in Detroit, and reports from regional banks, which have the best feel for the general economy, remain strongly positive. Important sectors of the economy are still strong. Farming is recovering vigorously from weak prices and dreadful weather, the civil aircraft industry is more than fully stretched for the foreseeable future, and services have expanded.

However, service growth looked weak in June, and employment growth has slowed, except in transportation and medical services. In real terms, personal spending on services has been growing at an annual rate of about 4 per cent (the average of a very volatile series) even when buying of goods had slowed to less than 1 per cent annually, and now accounts

for 54 per cent of total personal spending, and 51 per cent of GDP.

This growth is driven mainly by the necessities of a gently ageing population - favourable demographics; it probably also owes more to the statistics' ability to capture the devaluation of the dollar. Americans holiday at home more, and foreign tourists spend more. In all respects, spending on services ought to be fairly immune to the business cycle and to the level of consumer confidence; and it is also largely immune to interest rates. It is not, however, immune to a real squeeze on incomes.

The information we have at present is favourable.

Fed Chairman Alan Greenspan

Chairman Greenspan in his testimony did not promise no recession - only no big recession.

Allen Sinai, The Boston Company

It will not be easy to land smoothly - we may tear off a wing.

Fed Governor Martha Seeger

The Congressional Budget Office does not anticipate a recession. The stock market, which has almost always fallen before previous recessions, continues to rise.

Congressional Budget Office Director Robert Reischauer

"If the services sector of the economy goes, so will the economy," Mr Allen Sinai of the Boston Company writes in his current survey.

The service economy is also a key to understanding the strength of the economy in the recent past; for it must be remembered that if there is now a recession, it is very late and arrives at a speed which appears to baffle even the Fed, but monetarists will expect no early results. More mainstream analysts argue simply that high interest rates deflate demand.

The experience of the very deep 1981-82 recession during the Volcker squeeze, and the fact that the current weakness is most noticeable in cars and housing, sectors sensitive to bor-

rowing costs, seems to confirm this judgement. However, a British observer, with experience of an economy which at some periods has shown almost no response to interest rates in any normal range, must be more sceptical. A falling housing trend is almost certainly inevitable, whatever happens to the cost of borrowing; and falling sales of new houses have a large impact on the market for household durables.

The rise in interest payments to the business sector has been small and stable - 2.4 per cent of income, no higher now than in 1987. The growth of personal interest receipts - about 14 per cent of total personal incomes - has transferred perhaps a percentage point of income from borrowers to depositors, and this may explain part of the rise in saving; but monetary policy can do only a limited amount to revive the economy through this income transfer effect.

The main help from lower interest rates will have to be sought, as it usually is, in the car and other large-ticket durable markets. However, the car market is also sensitive to consumer confidence, which has fallen steeply this year, and is already largely insulated from interest rates through special financing offers and the strength of sales in July is partly put down, ironically enough, to the fear that prices will have to rise steeply to pay for these and other concessions. The rest of the durables market is too small a base on which to raise the whole economy.

However, interest rates do have one powerful potential effect: if they are allowed to affect the exchange rate, they can stimulate the economy when they fall and check it when they rise. The rise in the dollar earlier this year has been largely reversed, which gives the best hope that the economy will indeed land softly. This might require much bolder action than we have seen from the Fed since the full-out monetary expansion of 1986, designed to bring the exchange rate down; it has squeezed only cautiously. The squeeze had to be cautious because of the risks in over-leveraging in property - and now in many manufacturing companies too. But the Fed can probably risk boldness in cutting rates since cost pressures, and especially wage pressures, have been much milder than in previous expansion.

Indeed this more flexible, moderate labour market, which means that 5 per cent unemployment is no longer an inflation alarm warning, now appears President Reagan's most helpful economic legacy. The sluggish income growth which is inspiring fears of recession means that the Fed is free to combat it; but the exchange rate will be the index of whether it has been bold enough.

Enter Jim Smith

The faceless electricity Boards of England and Wales, which will lead their industry's privatisation next year, became flesh yesterday when their 12 chief executives collectively appeared before City analysts and the press for the first time.

The event was a personal success for Jim Smith, chairman of Eastern Board, who had led the campaign for the 12 boards to be privatised as they stood, rather than in bundles of three or four, or, still worse, gobbled up by the Central Electricity Generating Board. In particular, he helped to scotch the idea of the Electricity Council, the umbrella body headed by former civil servant Sir Philip Jones, retaining a significant role after privatisation.

Smith's primus inter pares role was evident in the way he co-ordinated the boards' joint presentation at London's Park Lane hotel on a glossy set more appropriate to a television panel game. There was no hierarchy in the seating arrangements, but switches on his desk appeared to enable him to tell his peers when to speak and answer questions.

A gravely and fluent Scot of 61 who looks ten years younger, he will doubtless continue to play a forceful role in the battles still to be fought with the powerful generating companies, not least over sales to the important industrial customers.

Real terms

What is the true meaning of "enhancement", the word used to describe the Brady Plan's proposals for supporting Mexico's debts by backing them with US Treasury bonds? According to the Shorter Oxford Dictionary, it is an increase in quality or value, though there was a 17th-century usage which implied some

OBSERVER

irony, for example, "taxes and customs daily enhanced - 1649." Perhaps that is the usage preferred by the Midland Bank. In the recent yesterday, the bank says that its loans to Mexico are worth \$1.4bn. After "enhancement", it adds, these same loans will be worth \$877m.

Sir Kit McMahon, the Midland Chairman, is after all a former tutor in English literature at the University of Melbourne.

Loose ball

And while we're on the meaning of words, perhaps we could make clear the distinction between "refute" and "reject". Ted Dexter and the England cricket committee issued a statement on Tuesday about English cricketers playing in South Africa. "The committee entirely refutes the proposition," it said, "that players will be in some way crusading in a good cause." The statement did no such thing. The committee does not like the players' arguments, and it may be right about that. But it has not refuted them; it has rejected them or even simply replied to them. Refutation is a logical process, not a slanging match.

Last man in

Margaret Thatcher's new team is finally complete after the pains of the reshuffle last week. One of the last men to join it was the Earl of Strathmore and Kinghorne, who has been appointed a Government whip in the House of Lords. He is a great nephew of the Queen Mother, and, like her, was born at Glamis Castle, where he still lives. His three-year-old son is the present Lord Glamis.

At 32, Strathmore will be the youngest member of the



Government whips office in the Upper House, which is presided over by Lord "Bertie" Denham, whose official title is Captain of the Gentlemen-at-Arms. Although the whips are usually among the last to be appointed in any government changes, it seems that this time the task of finding suitable people in the Lords was harder than ever.

The reason is primarily financial. Not all peers are rich, and not all of them want to do full-time political service. And while it is true that the majority of hereditary peers tend to be Conservative, not all of them inherit their titles at that young. Almost by definition, there are very few young life peers.

Moving picture

There is a splendid exhibition at the Barbican Art Gallery in London called Through the Looking Glass: Photographic Art in Britain 1945-1988. But it prompts the odd question. Does photography get any better with the development of more sophisticated cameras? And can you really beat black and white? Most of the best pictures in the exhibition come from the early period. There is a studio shot of Audrey Hepburn, taken by Angus McBean, advertising for Lascio-Columbia in 1951 that looks as if it could have been taken today. And there is a striking shot by David Bailey of Christine Keeler that was taken this year that seems to belong to a much earlier style. The exhibition runs until October 1.

Try Mercury

British Telecom can still get its wires in a twist. As part of the package that included selling its data communications businesses to BT, McDonnell Douglas decided this week to move the headquarters of its computer services operations to London.

This led a bemused BT marketing employee to call the Financial Times, to find out where the new HQ was. Asked why he had not asked his colleagues in BT, he replied: "I am sure you will appreciate that, in such a large organisation, I would just get shunted around from department to department."

Tax matters

A reader from FPM, sometimes known as KPMG, has sent us the placement for a seminar recently organised by the Inland Revenue. It reads: "As agreed E&W and AY will be together and AA & Co will be on opposite sides of the room from FW." Clear?

Oh well,
YOU CAN BE SURE OF SHELL

Recent mergers among leading drug companies are transforming the industry, writes James Buchan

In the grip of takeover fever

The world drug business is being transformed. In a matter of just a few days this summer, a group of big and old-established companies have announced mergers that have startled and worried scientists and business people all over the \$100bn (\$60bn) industry.

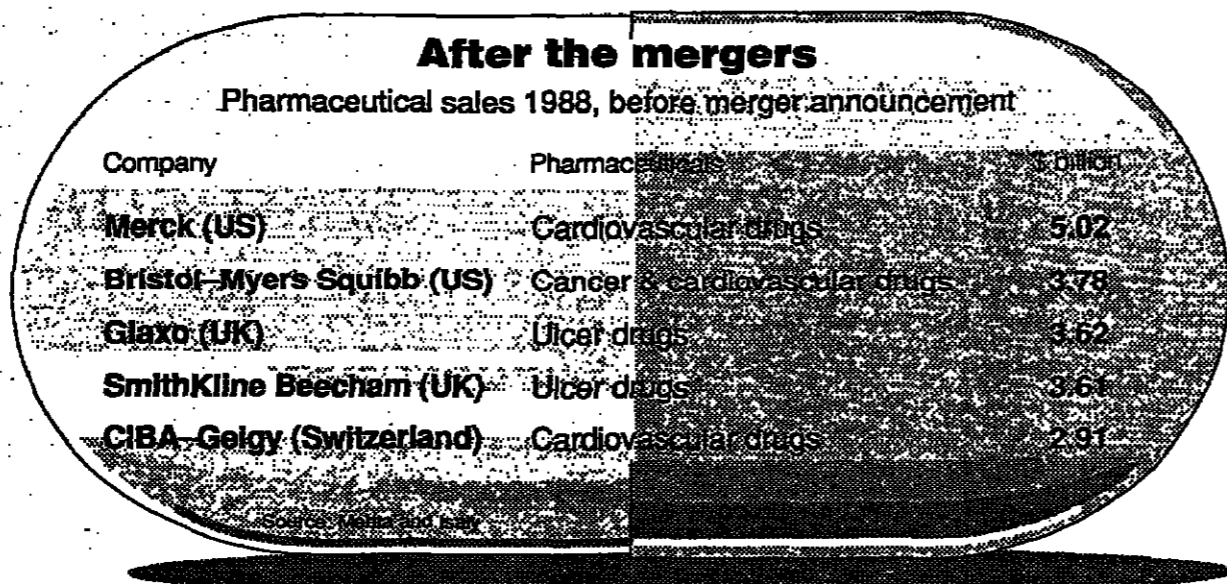
In the biggest deal the industry has ever seen, Bristol-Myers and Squibb said last week they would combine their businesses into a company with \$8.6bn in sales and a research establishment only a little smaller than that at Merck, the industry leader. The day before, SmithKline Beecham and Glaxo completed a merger to create a company with nearly \$7bn in sales. And a week before that, Merrell Dow and Marion Laboratories announced they were combining their operations into a \$2.3bn business.

This is a textbook consolidation for a mature industry with low profits, aging technology and declining markets. But the US pharmaceutical industry is not like that at all. Selling prescription drugs in the US can be more profitable than any other legitimate business, with a successful drug returning up to 45 cents in profit for every dollar of sales. The industry is highly inventive, finding new drugs and opening new therapeutic areas to science. And pharmaceutical markets are sure to remain strong as the average age of populations in the industrial world goes on rising.

So why have these companies, which have mostly prospered since the 19th century, chosen the summer of 1989 to merge?

The easy answer lies on Wall Street. In the past eight years, merger activity has jumped from industrial sector to sector like fire in a wood: first oil companies, then food manufacturers, book publishers, media companies, then airlines and now drug-makers. This summer, the stock prices of pharmaceutical companies have been driven to record levels, nagging at the companies to do something to justify the values or lose shareholder favour. Before Squibb announced its deal with Bristol-Myers, rumours circulated round Wall Street that either Hoffmann-La Roche or Glaxo of the UK was poised to buy the company for its presence in the lucrative US market. There is a lot of talk of the Japanese drug companies coming in.

But inside the US drug companies, there is anxiety. Both businessmen and researchers fear that the cost of discovering a drug, testing it, having it approved by regulatory authorities in major markets and selling it to doctors and hospitals is becoming impossibly high just as the profits to pay for the research are coming into question.



Ms Mary Jo Veverka, a drug industry consultant at Booz Allen & Hamilton in New York, says: "The old rule of thumb was that it cost \$125-\$145m and 10 years to develop a new compound. In the second half of the 1980s, we've seen an explosion in R & D costs and that figure is now \$200m." On the other side of the ledger, governments, employers and insurers are struggling to stem the rising cost of health care. The industry likes to say that drugs are cheap compared with surgery and hospital stays. But there is growing pressure on doctors to pre-

'The cost of research is rising at twice the rate of inflation. We have to have the scale so we can afford the technology'

scribe generic or unbranded drugs, which are much cheaper than branded prescription drugs and much less profitable to the makers. This is probably now a \$10bn market in the US and Europe and growing rapidly, according to Mr James Reno, an analyst at Frost & Sullivan, market researchers.

Mr Jonathan de Pass, a drug analyst at Barclays de Zoete in London, says: "It used to be that even when your drug went off patent, you could still make some money. Now it can be devastated by generic competition." In the face of these pressures, executives say they need to merge to create a revenue base that will support a

big research establishment. Merck, the industry's ideal, spent no less than \$660m on its scientists and testers last year, but the new Bristol-Myers-Squibb will not be far behind with \$600m a year. Mr Joseph Stewart, a senior officer and director of Squibb, says: "The cost of research is rising at twice the rate of inflation. We just have to have the scale so that we can afford to use the latest and best technology." One drug industry expert, Dr Jonathan Gelles of Wortham Schroder in New York, estimates that companies will have to be spending at least \$1.5bn on research by the middle-1990s. "On that analysis," he says, "six or seven drug companies will have to become part of larger groups."

The companies also say they need money to market their drugs. Some executives seem haunted by the fate of SmithKline, whose best-selling ulcer drug, Tagamet, fell prey last year to ferocious competition from Glaxo's Zantac and products from Merck, Marion Labs and Eli Lilly. The company's profits collapsed and it was forced to seek refuge in the Beecham merger.

In the \$18bn or more cardiovascular market, Squibb is fighting an equally fierce battle to defend its billion-dollar anti-hypertension drug, Capoten, against a Merck product and launch a new cholesterol treatment against an entrenched Merck drug. Says Mr Stewart: "Merck is the acknowledged leader in cardiovascular drugs. We keep asking: How are we going to make ourselves better able to compete with Pravachol, our new cholesterol drug? We were talking about joint marketing the drug and Bristol was a

finalist in these even before we got to talk about a merger."

But these arguments leave important questions unanswered. Can size really guarantee success in the crash of drug discovery? Can the companies really generate the revenues to feed the research beasts they make? Might these mergers be a substitute for restructuring not the thing itself? Ms Veverka says: "Once we've got this transaction wave out of the way, we can move on to the real fundamental restructuring."

Selling prescription drugs in the US can be more profitable than any other legitimate business

ing money at research will not produce a drug. Mr Stewart points out that Squibb transformed itself into a real contender in the industry at the turn of the 1980s with research spending of less than \$60m a year. Many companies, with their heads towards chemistry rather than biology, were slow to catch on to progress in genetic engineering on university campuses and small start-up companies in New England and on the West Coast. "It troubles me a little," says Mr Samuel Isaly, a respected New York stock analyst at Mehta and Isaly, "that such a large proportion of drugs are being found in garages. In some cases, the size and bureaucracy of the drug com-

panies may make drug discovery harder."

Meanwhile, the drug companies are committing themselves to revenue gains which sound unsustainable in an industry where patent monopolies tend to be 10 years or less. Even Merck, a company of considerable intellectual force as well as wealth, needs a couple of new products every year to get the revenue growth to feed and equip its researchers. "Ultimately," says Ms Veverka, "this level of expenditure is not sustainable."

Lastly, size may be only a temporary advantage in marketing the drugs.

In the old days, drug companies simply screened natural substances to see if they cured disease. In the 1970s, a revolution in technology allowed the industry to "tailor" drugs to specific bodily processes – and this has made it a little easier to match heads through by competitors. The result has been that some therapeutic categories, such as ulcer treatment and cardiovascular, have become quite crowded with new drugs. In response, the companies have multiplied the marketing forces they dispatch or "detail" to doctors and hospitals. And they are spending ever more money on what one executive calls an "alphabet soup" of clinical trials to differentiate their product.

In a sense, much of the vaunted research spending has as much to do with marketing as drug discovery. Meanwhile, in the US alone, according to one estimate, detail forces have increased at a rate several times faster than the number of physicians. And this is happening when doctors' freedom to prescribe new drugs has been sharply circumscribed as hospitals, Health Maintenance Organisations and other insurance providers to concentrate decision-making to rein in costs.

"You reach a point where the doctor is completely saturated with scientific literature," Mr de Pass says. One result is that slowly and stealthily, some prescription drugs are starting to compete on price. For example, high hopes for Genentech's genetically engineered heart drug, t-PA, were dashed last year when trials proved inconclusive and many doctors simply stuck with a cheaper compound.

In the end, the drug companies will have to find a way of reducing the cost of testing their products, either through technology or a more streamlined relationship with regulatory authorities such as the Food and Drug Administration in Washington. They must also cut the cost of selling the drugs. More than mergers, these are the challenges of the 1990s.

LOMBARD The irrelevance of micro reforms

By Michael Prowse

IN AN amusing passage in Aldous Huxley's novel *Crome Yellow*, a mad country vicar sits despondently in his study. For years he has been predicting the End of the World. Yet it never happens. Man sins with impunity.

Huxley's vicar reminds me of those passionate free market economists – such as David Henderson at the OECD – who ceaselessly preach a gospel of deregulation and liberalisation. Time and again, the neo-classical OECD of the 1980s has emphasised the dangers of "structural rigidities" and made a trenchant case for microeconomic reforms. How dispiriting it must be to discover that such policies have only limited relevance in the real world. Countries, such as the UK and US, which have deregulated with gusto, are in an economic mess. Those, such as Japan and West Germany, which have been wary of free market prescriptions, are doing brilliantly well.

The West German example is telling. Free market economists have constantly attacked the Kohl government for failing to liberalise the "sclerotic" economy. Last summer, the OECD entered the fray with a highly critical assessment of German economic prospects. Much was made of the damaging consequences of structural rigidities; the authors went so far as to suggest that if West Germany failed to mend its ways, it might never recover its post-war momentum.

Today such arguments look a trifle foolish. The West German economy is booming. Growth exceeded 3 per cent in 1988 and seems likely to approach 4 per cent this year. Gross domestic product is expected to expand by a further 3 per cent in 1990. This is an outstanding performance for a rich, mature economy with a declining population.

Moreover, it has not been achieved by stoking up an irresponsible consumer boom. Nor does it merely reflect higher-than-expected growth elsewhere. A truly sclerotic economy would be incapable of seizing export opportunities or of channelling investment into the right sectors and projects. So did the OECD and others exaggerate West Germany's

microeconomic failings? Hardly. By free market criteria, the economy ought to be a basket case. Public spending (net of interest) has hardly fallen during the 1980s and remains a far higher proportion of GDP than in the UK or US. Industrial subsidies are pervasive, having risen during the 1980s. They account for 2.2 per cent of GDP – a far higher proportion than in the other big economies. There has been little privatisation or deregulation. The OECD lists substantial restrictions in professional services, retail trade, insurance, capital markets, telecommunications, energy, transportation and labour markets.

West Germans are also heavily taxed. The top personal rate is not being reduced until 1990 and then to only 53 per cent – higher than in almost all competitor countries. Businesses are clobbered by corporation tax, local taxes on profits and capital, real estate taxes and the federal wealth tax. Overall, the OECD reckons taxes absorb more than 70 per cent of pre-tax profits – compared with 54 per cent in France, 46 per cent in the US and 38 per cent in the UK. Yet West German companies run rings round most of their competitors.

All right, free marketeers may reply, West Germany is doing well. But it would do even better if it liberalised the economy. This must be doubtful. The distribution of growth between sectors might change. Financial services might gain at the expense of manufacturing – but it is hard to believe that the economy could sustain real growth much in excess of 3½ per cent – the current rate.

Huxley's vicar wanted the world to conform to his *a priori* beliefs. He was in vain. Free marketeers are in a similar position. If they are honest, they will admit that the assumptions needed to prove their efficiency theorems simply do not hold good in the real world. It is thus not remotely surprising that West Germany can outperform its competitors despite its failure to implement the supply-side reforms. The dangerous rigidities lie not in economies but in the minds of economists.

LETTERS

'The worst of both worlds'

From Mr J.L.T. Newbegin.

Sir, One ironic aspect of the Blue Arrow affair, which has not yet received much attention from the press and other commentators, should not pass without comment.

In the 1980s and 1970s "the City" – the financial centre of the UK – was loosely regulated, with the Governor of the Bank of England acting as a kind of benevolent overlord of City standards. He had no formal legal powers, but great moral authority. If the Governor "raised his eyebrows," people could be expected "to do the right thing." The system was very flexible, if rather rough and ready.

In the late 1970s and early 1980s there was considerable pressure for the City to be better and more formally regulated.

This view was reinforced by a number of financial scandals, some of which had nothing to do with the City as such. As a result, Parliament enacted the two Banking Acts 1979 and 1987, and the Financial Services Act 1986.

The Banking Acts codified

powers which the Bank of England already exercised over deposit takers, and the Financial Services Act gave wide powers to the Department of Trade and Industry – the bulk of which have been delegated to the Securities and Investment Board and to various self-regulating organisations. In both cases these wide powers were counter-balanced by quasi-judicial procedures, with rights of representation and appeal.

But when the time came for the new system to be tested, what happened? The Department of Trade and Industry inspectors produced a report which came to certain conclusions.

I am not in a position to comment on the particular report on the Blue Arrow affair, but the nature of DTI inspectors' reports has attracted considerable criticism over the years. There is a fairly widespread view that individuals are criticised amid great publicity, without being given a proper opportunity to put their side of the case; in some cases careers and lives

have been ruined as a result.

After the report on Blue Arrow was published there was strong pressure for "something to be done" immediately. There was no suggestion that there were proper procedures laid down and that these should be followed. The only exception was Phillips & Drew, which implied that it was waiting to hear from The Securities Association before taking action. Even this perfectly reasonable line has not held, and Phillips & Drew announced on July 27 the resignation of a senior employee and the suspension of a more junior employee.

The City now appears to have the worst of both worlds. It is closely regulated with detailed rules yet when trouble comes, individuals are left expected to resign, and not insist on the proper procedures being used.

This may be good for the reputation of the City, but is it justice?

J.L.T. Newbegin,
Cameron Mackay Hewitt,
Seymour Court,
40 Tower Hill, EC3

Insider dealing and the law

From Mr Tom Benyon.

Sir, The motive behind the legislation which criminalises insider dealing was to right the wrong whereby insider shareholders made money using privileged information; the money made thereby is thus to be regarded as akin to theft.

In a number of recent well publicised bids, the predators have all apparently purchased millions of pounds worth of stock before they announced their intentions.

Presumably they all knew what they were going to do before they bid, and they all have made huge profits – albeit paper ones – at the expense of shareholders who sold out before the bids were announced.

I suggest that the law is amended to prevent bidders buying stock before they act. If that isn't done, scrap the insider laws.

If neither, why isn't the law an ass?
Tom Benyon,
The Old Rectory,
Adstock,
Buckingham.

Proposals for food safety legislation should be spelled out

From Mr D.W. Harbottle.

Sir, Like you, I was disappointed that the white paper on food safety lacked detail as regards the UK Government's proposals for new legislation ("A policy for safer food," FT leader, August 2). Unlike you, I am not convinced of the need for an independent agency with overall responsibility for food safety, but better co-ordination between the national

and local government bodies involved is certainly needed.

A small corps of officers should be established, along the lines of HM inspectors of schools, to observe and report on food hygiene enforcement and make recommendations for changes; such reports and recommendations would be published.

An adjunct to this would be a permanent committee of offi-

cials and food scientists from the Department of Health and the Ministry of Agriculture, together with representatives of the Institute of Environmental Health Officers, the industry, and consumers. This committee would have the right to comment on reports from the inspectors and put forward its own proposals for changes in enforcement procedures. This would be a big step forward, and would obviate the need for much change in the machinery of government, which would be expensive, disruptive, and may lead to a dilution of Parliamentary responsibility in the area of food safety.

D.W. Harbottle,
The National Association of Master Bakers, Confectioners and Caterers,
21 Baldock Street,
Ware, Hertfordshire

ward, and would obviate the need for much change in the machinery of government, which would be expensive, disruptive, and may lead to a dilution of Parliamentary responsibility in the area of food safety.

The information was there at that time for anyone to read and question – including people like Mr Patterson and Friends of the Earth.

A.J. Denney,
British Nuclear Fuels,
Warrington, Cheshire

Nuclear reprocessing difficulties

From Mr A.H. Denney.

Sir, Walter Patterson (Letters, July 28) says that British Nuclear Fuels (BNFL) kept people in the dark about difficulties encountered in reprocessing Magnox fuel during the early 1970s.

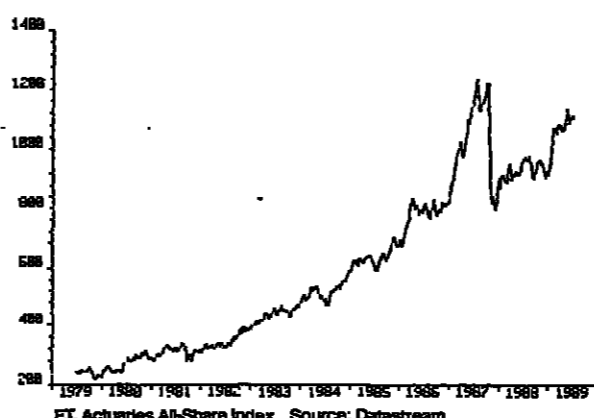
He does not seem to have done his research very thoroughly. In BNFL's annual report for 1974-1975 it was reported: "There have been some delays in the reprocessing programme and in order to ensure that there is a balanced capacity for handling Magnox material at the level required in the future, additions are

being made to various facilities associated with the reprocessing plant."

In the 1975-1976 annual report it was reported: "The rate at which Magnox fuel can be reprocessed has been restricted by limitations in the decanting plants and maximum effort has been deployed to clear this bottleneck."

The information was there at that time for anyone to read and question – including people like Mr Patterson and Friends of the Earth.

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Doctoring the Soviet economy

Quentin Peel interviews Valentin Pavlov, the new Finance Minister

THE NEW Soviet Finance Minister, Mr Valentin Pavlov, inherited what must qualify as the most unpopular portfolio in the Soviet Government.

Over the next five years, all things being equal, he must preside over a rigorous scouring of the Augean stables of Soviet state finances. He must introduce sweeping tax reforms, including much-increased progressive rates of income tax, and equally drastic cuts in investment spending.

He has to lay the foundations for a capital market, and even a stock market, without offending the basic tenets of Marxist ideology; and he will play an important part in the introduction of potentially explosive price reforms, which must inevitably push up the retail prices of foodstuffs and other basic commodities.

Yet he seems to be taking the whole challenge with remarkable equanimity. "If you don't think you are ill, you don't treat yourself," he said in an interview with the Financial Times, his first to the international press. "It isn't you who are managing the process, but the process is manipulating you."

The two biggest ailments of government finances he identifies are the huge budget deficit, and the failure to obtain an adequate return on investment.

He denied that the Rbl100bn (\$183.3bn) budget deficit (20 per cent of total spending) was growing. However, he admitted that increased pensions would cost an annual Rbl25bn-Rbl27bn, and child allowances up to Rbl20bn while cuts in defence spending were only likely to save some Rbl9bn a year.

Mr Pavlov revealed that the entire state investment programme in large projects is currently being reviewed from scratch, with a target of substantial cuts during the next five-year plan, which runs from 1991 to 1995. The sort of capital schemes which may well get the axe are the gigantic petro-chemical complexes planned for Siberia to process natural gas.

The review is being carried out for the first time as a joint exercise with the state banks, which have been told to identify those projects they are prepared to finance on the basis of cost-effectiveness.

"We are creating new criteria," he said. "If you think as a bank that a project is cost-effective, then we propose you go through with it and finance it on credit. First we ascertain if it is worth it? Second, we decide who will finance it."

The banks themselves are in the middle of an overhaul of the financial sector, with the creation of more financial



Valentin Pavlov: inherited unpopular portfolio

instruments, a genuine capital market, and realistic interest rates, all now on the agenda of the Soviet authorities.

The second major arm of a rigorous government investment policy is the introduction of "enterprise shares," Mr Pavlov said. They would be cross-shareholdings held by one enterprise in another, and eventually they could be traded on a stock exchange.

"We see this as an effective way of increasing the efficiency of investment," he said. "It is not a question of reducing state investment, but of using more effectively the means we have invested in the economy. No reasonable man

ers simply do not know this system, so the problem of training staff is very great."

A vigorous man with a firm handshake and a startling crew cut, Mr Pavlov is a bureaucrat who has worked his way up the Finance Ministry, rather than being a political appointment. His last job was as chairman of the State Prices Committee, popularly known as the Committee for Inflation. As a result he came in for tough cross-examination in the new Supreme Soviet, which he survived remarkably well.

"Not one direct price rise took place during my term in office," he declared, a boast

which may be popular, but does not show any real appreciation of the urgent need to raise many Soviet prices to realistic levels.

The price rises which have started pushing inflation up into double figures are all back-door increases, either on the huge black market for goods acquired under-the-counter, or by state enterprises repackaging or redefining their produce to gain a "novelty" or "fashion" mark-up.

As a result Mr Pavlov is proposing an anti-inflation tax as part of his reform package: for every 1 per cent price rise on an enterprise's output, the wages fund would be docked 0.5 per cent.

"This is to incite workers' collectives to increase production and efficiency and cut costs, instead of inflating prices," he said.

The main tax reform will be

to introduce progressive income taxes, instead of the current universal 13 per cent deduction, and progressive enterprise taxes levied on profits, not turnover. He believes all enterprises, state-owned, leasehold or co-operative, should be taxed on the same basis. However, the problem of defining the concept of profit in the Soviet system suggests that the reform process will be long drawn-out.

Mr Pavlov admits, on the other hand, that tackling indirect taxation, which currently provides 20 per cent of budget revenue, will be the biggest problem of all. It will have to be linked to the repeated, postponed reform of retail prices, now scheduled for 1991.

The whole debate remains exceedingly sensitive, in a society traditionally denied any reliable information on state finances. When it comes to the question of how much income tax will be raised, he insists that it is "a commercial secret."

Nor will he set any target for spending cuts: "I am a realist," he says. "You can never really achieve the desired figure. The figures come from what is realistic."

As for the cost of the miners' strike settlement, with a huge promised increase in the pithead price of coal, he looks grim, but refuses to be drawn. "The miners cannot be considered separately from the whole system of material supply of other industries. The miners are hardly different from chemists, production workers, uranium miners, or whatever. They are all linked."

His caution, and practically, dictates his answer on the Soviet Union's ambitions to join international organisations, like the International Monetary Fund. "This is a serious organisation, not a charity. We will join only when we can become worthy partners."

He is a cautious pessimist when it comes to the prospects for convertibility of the rouble. Accompanying Mr Mikhail Gorbachev on his recent trip to France, he suggested it might be 2005 before it was feasible.

"We have to overcome imbalances in our economy and finances, a non-equivalent exchange rate, a lack of rapport between our prices and world prices, the cumbersome structure of our import and export, low incentives for the accumulation of capital..."

and so on. The list seems endless. And then Mr Pavlov has to rush off, as fast as he is rushed in. His destination is the session of the Supreme Soviet, just across Red Square in the Kremlin. It is suddenly clear that the Minister cannot afford to miss it. The Soviet Government has a new master.

Party ends for futures traders who face FBI charges

By Deborah Hargreaves in Chicago

FOR MANY of Chicago's futures traders the days of heavy profits are at an end, as 46 of them face charges after a two-year FBI probe uncovered widespread trading abuse in the chaotic futures markets.

They will come down to earth with a bump. One of those who was indicted on Wednesday was intent on saving his trading profits to buy one of the Orkney Isles off Scotland.

Mr Robert Bailin, erstwhile official in the Chicago Republican Party, will now have to keep his savings. He may face fines of up to \$250,000 if he is found guilty on 10 counts of wire and mail fraud. He could also face up to five years in jail.

The blood letting has not finished yet. This could be just the start of a round of charges that would tear at the very fabric of the world's largest futures markets. Over a dozen traders are co-operating with the Government's investigation, swapping evidence for lighter sentences.

The very nature of Chicago's futures markets, which exchange officials are fond of describing as one of the least regulated of the free market, makes trading abuse easy to cover up and hard to track down.

Every day in Chicago over 5,000 traders gather in halls no larger than soccer fields, where they shout themselves hoarse buying and selling commodities they will never see. While many traders make only a modest living, the profession is characterised by young egotists who live flamboyantly on their easy profits.

The way in which they pursued that lifestyle is now under microscopic scrutiny. Mr Anton Valukas, the US attorney for northern Illinois, who headed the investigation, paints a picture of futures trading pits allegedly run on traders' own rules, where large-scale brokers doled out patronage to their less profitable counterparts in return for their participation in schemes to defraud customers.

Mr Valukas alleges that the Chicago Board of Trade's soybean futures pit and the Chicago Mercantile Exchange's Yen futures pit to rig trades and steal profits from customers. Traders have also been charged in the Treasury bond futures and Swiss Franc futures pits.

Mr Valukas stresses that the charges are not levelled at technical trading violations but at illegal schemes involving hundreds of customers and thousands of trades.

The Government built its case by using undercover agents trained to operate as traders in four futures pits at the two exchanges. These agents befriended many young futures traders and recorded conversations with hidden tape recorders in the hubbub of the trading arenas.

By far the most serious charges are being brought by the Government against 19 powerful brokers under the Racketeering Influenced and Corrupt Organisations Act (RICO) - a federal statute aimed against the Mafia, among others.

These brokers are alleged to have masterminded large-scale attempts to cheat customers, often using local traders - those that trade for their own account - as "bagmen." The "bagmen" were allegedly offered kickbacks for hiding profits made by brokers on illicit trades and for changing prices on customer order cards to increase brokers' profits.

The illegal practices cited in the charges include many counts of withholding customer trades from the open market, front-running or trading ahead of a customer order that is large enough to swing prices, and kerd trading outside normal market hours.

They also face charges of large-scale tax evasion. When announcing the charges, Mr Richard Thornburgh, the US Attorney General, took pains to stress that the managers of Chicago's exchanges were in no way implicated in the charges, the allegations are bound to bring calls for tougher regulations.

The irony is that, although the FBI investigation has cast a pall over futures trading in Chicago, volume on both of the city's exchanges is still growing. The markets set worldwide prices for commodities and they will not easily be muzzleed. And in a city of risk-takers, there will be no shortage of recruits to replace any traders found guilty.

Weinstock's final stratagem

Lord Weinstock, it seems, has done it again. Yesterday morning the market confidently expected 270p as a slighting shot for Plessey. At lunchtime it learnt the figure was final, and scrambled to sell. Plessey will now go through the motions of a defence document, a profits forecast and so forth. But its only hope lies in a rival offer; and with over 25 per cent of the stock in enemy hands - to say nothing of the other half of GPT - that seems past praying for.

With one of the bitterest contests in UK takeover history apparently almost over, the market's attention will now revert to GEC. It is hard to argue that it is paying too much. The multiple looks about 13 times Plessey's earnings this year, about the same as GEC's own. There are obvious cost savings, from Plessey's head office to overlaps in defence, let alone the scope for rejuvenating GPT under single ownership.

There is no reason to suppose that this is the last of Lord Weinstock's Indian summer, or of his zeal for joint ventures. A deal in the cables business may come next, or perhaps in North American electronics; and Marconi - much the biggest chunk of GEC still without a partner - may be drawn closer into partnership with DeLia Rne and Mats.

At some point, shareholders might become concerned at the business drifting out of their hands in this way. But meanwhile, it is quite possible that GEC's earnings growth will accelerate as the rest of the market declines. It is odd to reflect that a year ago the now hyperactive Lord Weinstock was being abused for doing nothing.

Midland Bank

When it comes to losing money there is no question that Midland Bank comes out top. The exceptional provision of £246m for Third World debt is only £70m less than the master-trading pits allegedly run on traders' own rules, where large-scale brokers doled out patronage to their less profitable counterparts in return for their participation in schemes to defraud customers.

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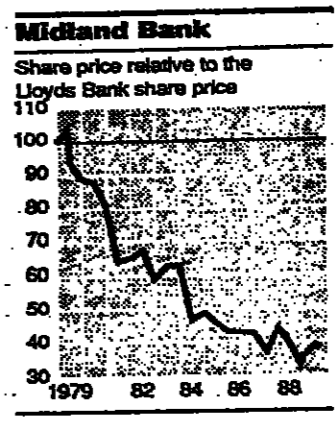
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plan is yet another sign that Midland always seems to be looking for excuses. Like the rest of the clearing banks, Midland has great difficulty admitting it ever made a mistake. The same goes for the problems at Midland Montagu which smack of imprudent banking. The kindest thing that can be said about these results, and a prospective multiple more than a third higher than Lloyd's, is that Midland Bank remains very much a recovery stock.

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At some point, shareholders might become concerned at the business drifting out of their hands in this way. But meanwhile, it is quite possible that GEC's earnings growth will accelerate as the rest of the market declines. It is odd to reflect that a year ago the now hyperactive Lord Weinstock was being abused for doing nothing.

De La Rue

One fondly assumes that investors behave rationally, but the odd golgotha at De La Rue suggests otherwise. By voting to sell the Crosfield subsidiary to Dupont and Fuji for 72 times 1988's awful earnings, De La Rue's shareholders must think they have a spanking good deal. But with Crosfield gone, what remains is unexciting bank-note and security printing, and the prospect of a share price that on fundamentals could bottom out around 260p. Yesterday's 3p drop to 319p was presumably only a taster.

The one thing supporting the shares now is the presence of Mr Robert Maxwell on the register with 15 per cent, and Stet with 6.5. The share price suggests the market thinks he and Mr De Benedetti's Sofigen group, with a little under five per cent, are too clever not to have a plan B. This argument now looks dangerously threadbare. Any plan B would have to involve somebody else bidding for De La Rue; but who might this be? A number of US or German companies interested in electronic imaging might want Crosfield: the only candidates one can see wanting the remainder are its own management, who cannot afford a fancy price.

The group has now gone farther than most in providing against its Third World debt, but blaming it all on the Brady

British Airways

British Airways has a capacity problem. It does not have nearly enough in the current quarter, which normally provides over half the group's profits, and it is going to have too much later in the year when economic growth in its two biggest markets, the UK and the US, will have slowed to a snail's pace. Some of the costs of this unfortunate set of events may be recouped from Boeing, where aircraft deliveries are running badly behind schedule. But the bigger problem is predicting how BA will perform during the first major economic slowdown in its short life as a public company.

The 18 per cent rise in first quarter pre-tax profits reflects a welcome improvement in both yields and load factor, but it would be most surprising if they could both be maintained in the face of the slower growth in the overall market. The other problem is costs. A 1 per cent rise reduces BA's profits by 14 per cent; and the debate about Lord King's salary is bound to figure in the next wage round, especially since the last staff increase was below the inflation rate. However, a prospective multiple of 7 times earnings discounts a lot of bad news. If BA were ever rated as a takeover target, it would be a steal at 2 1/2 times cash flow.

There is no reason to suppose that this is the last of Lord Weinstock's Indian summer, or of his zeal for joint ventures. A deal in the cables business may come next, or perhaps in North American electronics; and Marconi - much the biggest chunk of GEC still without a partner - may be drawn closer into partnership with DeLia Rne and Mats.

At some point, shareholders might become concerned at the business drifting out of their hands in this way. But meanwhile, it is quite possible that GEC's earnings growth will accelerate as the rest of the market declines. It is odd to reflect that a year ago the now hyperactive Lord Weinstock was being abused for doing nothing.

Wellcome

Yesterday's announcement from Wellcome on its AIDS drug could prove some kind of turning point. It has been widely believed that Retrovir is proving too toxic in AIDS patients and that rival drugs such as DDI are near to official approval. But the evidence now is that the drug is less toxic in earlier stages of the disease; and if its use is approved for the early stages of AIDS-related complex - as seems likely - the number of patients taking the drug could increase fivefold.

The next and much bigger step would be for the drug to be approved for asymptomatic carriers of the virus. The trials now starting in the US and Europe will take at least three years, and may bring fresh evidence of resistance to the drug. But meanwhile Retrovir, for all its deficiencies, is proving remarkably durable. Wellcome's shares have underperformed the London market by a third in the past year; this should at least stop the slide.

Pakistan steel group accuses Bhutto after foundry closures

By Christina Lamb in Islamabad

PAKISTAN'S biggest private sector steel engineering group has been forced to close its foundries and lay off half its workers, accusing the Government of "a deep-rooted and sinister conspiracy motivated solely by political vendetta."

Mr Shehbaz Sharif, chief executive of the Ittefaq Group, has alleged that Ms Benazir Bhutto's Government is trying to force the company out of business because of political differences, by instructing Pakistan Railways to refuse to cart scrap imported from the US from Karachi dock to the company's works in Lahore.

The Ittefaq Group belongs to the family of Mr Nawaz Sharif, chief minister of Punjab and, as head of Pakistan's main opposition party, Ms Bhutto's greatest rival. The company yesterday made public that its assets are Rs3.6bn (\$221m), making it one of Pakistan's largest groups.

The US ship, M V Jonathan, arrived in Karachi on June 14 from the US company Hugo Boss, carrying 28,000 tonnes of scrap iron to be melted in Ittefaq foundries and made into



steel billets. Since 1980 the company has had a contract with Pakistan Railways under which it is supposed to be provided with 1,200 wagons every 40 days for offloading scrap and transporting it to Lahore.

This time Pakistan Railways refused to supply carriages, saying they were needed for items of national priority such as wheat and fertiliser.

Ittefaq has argued that these are moved in closed carriages,

whereas scrap travels in open cars and that it would be too expensive to use trucks.

A close aide of Ms Bhutto said: "The agreement was made under the last regime and is no longer valid."

The ship is still docked in Karachi port, with demurrage charges now up to more than \$50,000 a day.

At the behest of the US supplier worried over who is ultimately responsible for these charges, the US Ambassador intervened, writing to the President and Prime Minister, despite the politically loaded nature of the dispute.

According to Mr Sharif, US scrap metal agencies have now threatened to discontinue trading with Pakistan and the "Kota Harta", which should have left the US with 29,000 tonnes of scrap in early July, has been cancelled.

Ittefaq Foundries produces 250,000 tonnes of steel annually, is among Pakistan's highest revenue payers and has been the biggest customer of Pakistan Railways. Mr Sharif says lost production is costing Rs5m per day.

Wellcome AIDS drug gets boost in US tests

By David Fishlock and Tony Jackson in London

THE AIDS drug Retrovir (AZT) made by Wellcome, the UK pharmaceutical company, significantly slows the progress of the disease in its early stages, a US clinical trial has concluded.

The trial, involving 29 US AIDS treatment centres, has been stopped after two years so that those patients in the "double-blind" trial, previously receiving placebos, can be treated with AZT.

The trial, involving over 700 people with AIDS symptoms, was launched in August 1987 by the US National Institute of Allergy and Infectious Diseases and Burroughs Wellcome, the US arm of the company.

The institute said yesterday that the drug significantly slows progression of HIV, the AIDS virus.

Of the 713 participants in the trial, 50 had progressed to "full-blown" AIDS by last month. These 36 were being treated with the placebo.

Bank forced to defend £

Continued from Page 1

protect the banks, whose income and capital is mostly in sterling, from a fall in the value of the pound against the dollar.

The banks may have sold sterling and bought the equivalent of more than \$3bn of less developed country debt, thereby fixing the sterling value of those loans in their respective balance sheets.

Midland yesterday said it had provided £346m for possible losses, a figure which takes

the big four's provisions announced over the past week to £1.957m.

Midland said that the transactions had already taken place over the past couple of weeks. Barclays, NatWest and Lloyds have also completed their transactions.

The pound closed 1 1/2 pence and 2 cents lower at DM3.065 and \$1.643 yesterday - up, marginally, from the day's lows which were reached before the Bank intervened.

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WORLD WEATHER															
CITY							TEMPERATURE								
	°F	°C		°F	°C			°F	°C		°F	°C			
Algeria	-	16	6	Dubrovnik	C	62	16	Mahe	S	88	31	Rhodes	F	82	28
Algiers	-	59	15	Edinburgh	C	59	14	Manchester	S	88	31	Rio de Janeiro	F	74	24
Amsterdam	-	59	15	Frankfurt	C	61	16	Medan	S	89	32	Rome	F	74	24
Ankara	-	59	15	Hankow	C	61	16	Medan	S	89	32	Sao Paulo	F	74	24
Baghdad	-	86	30	Hong Kong	C	86	30	Malinau	S	88	31	Singapore	F	82	28
Bahia	-	77	26	Kobe	C	61	16	Manila	S	88	31	Singapore	F	82	28
Bombay	-	86	30	Kobe	C	61	16	Manila	S	88	31	Singapore	F	82	28
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INSIDE

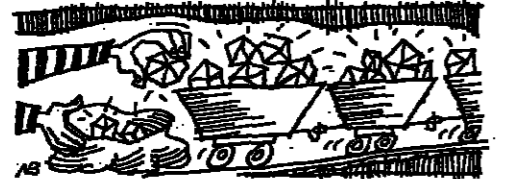
Bird in the hand is worth 50 on the lawn

Happy 60th birthday — have a lawn full of plastic flamingos. This was the gesture Alf Powis, chairman of Falconbridge, made to old colleague and friend Bill James, chairman of Falconbridge. Since then, however, Falconbridge has been fighting hard to stay out of the clutches of its fellow North American mining group. That was until Wednesday of this week when James accepted a \$2.2bn (£1.4bn) bid from US-based Ammax. David Owen reports. Page 16

Expensive echo from the past

The highest-paid director of Smith New Court, the UK securities firm, last year received nearly three times as much as the year before, even though the firm slid heavily into loss during the period. But the payment of £541,000 (£890,000) is a throw-back to the heady days when securities firms were recruiting rather than laying off staff. A substantial part of the money represents a deferred joining fee, or "golden hello." Page 20

A thief's best friend



Nowhere in the world is the boom in demand for gem diamonds having more impact than on Namibia's diamond coast. For example, CDM, the De Beers subsidiary which operates the vast mine at Oranjemund, has decided to bring into operation two new projects. On the darker side, however, there has been a noticeable increase in diamond thefts from the mine. Last year, CDM recovered stolen diamonds worth \$9.2m (£5.8m) and its security people believe this was only a very small percentage of the value of stones smuggled out of the mine, writes Kenneth Gooding. Page 25

Will tobacco setback take Zimbabwe's breath away?

Zimbabwe's stock market is riding high. It took off in the second half of 1987, shrugged off the October crash, and has been pausing for breath since. What a surprise then that last month's public offering in Tabex, a leading tobacco company, was only partially subscribed. Tony Hawkins examines the main reasons for the market's recent strength and identifies signs that the best of the bull run may soon be over. Page 38

Bubbly profits mix at Alko

The buoyant nature of the world's chemicals industry helped Alko of The Netherlands boost its profits in the second quarter of this year. And Mr. Sjo Bergman, board member in charge of finances, yesterday repeated his forecast that full-year earnings would significantly exceed those of 1988. Alko will suffer relatively little if bulk chemicals weaken, he predicted. Page 18

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Chief price changes yesterday

FRANKFURT (DM)		PARIS (FF)	
Alcoa	313 + 9	Alcoa	1852 + 54
Bayer	2374 + 61	Bayer	2374 + 61
Boehringer	489 + 5	Boehringer	489 + 5
Deutsche	3063 - 115	Deutsche	3063 - 115
Dräger	4442 - 115	Dräger	4442 - 115
Wolfsberg	1115	Wolfsberg	1115
NEW YORK (\$)		TOKYO (Yen)	
Alcoa	38 3/4 + 3/4	Alcoa	1350 + 208
Amgen	114 1/2 + 3/4	Amgen	1120 + 120
Boeing	113 1/2 + 1/4	Boeing	1550 + 180
IBM	104 1/4 + 1/4	IBM	1000 - 20
Intel	25 - 1/2	Intel	3480 - 60
AT&T	40 - 1/2	AT&T	1920 - 110

NEW YORK prices at 12.30

LONDON (Pence)		FUTURES	
Alcoa	1094 + 16	Body Shop	495 - 10
Boeing	844 + 36	Boeing	195 1/2 - 6 1/2
British Airways	288 + 10	British Airways	434 - 8
City and Westminster	470 + 20	City and Westminster	135 - 9
Deutsche	246 + 17	Deutsche	246 + 17
Exxon	572 + 19	Exxon	572 + 19
Gold Fields	547 + 10	Gold Fields	547 + 10
Hanson	69 + 10	Hanson	69 + 10
Hardman	248 + 11	Hardman	248 + 11
Worthington A	380 + 8	Worthington A	380 + 8

Wärtsilä in talks to save marine division

By Enrique Tessieri in Helsinki

WARTSILÄ, the Finnish engineering and shipbuilding group, has started negotiations with the Government in an attempt to save its marine division, one of the largest shipbuilders in Europe, from bankruptcy.

However, the division had a loss after financial items in 1988 of FM2.71bn (\$648m), and yesterday Wärtsilä wrote to shareholders warning that the prediction in the 1988 annual report of decreasing losses in the division this year had been proved wrong.

The company's worsening performance this year was blamed by officials on EC subsidies to other countries' shipyards, the lack of any new ship orders from the USSR for the past three years, labour shortages, higher inflation and a 4 per cent revaluation of the Finnish markka in 1988.

The fate of the division is now unclear. While Wärtsilä Marine talks about a "tentative" agreement with the Government to bail out the company with state subsidies, Mr Wahlroos rejects any such arrangement.

present negotiations with Wärtsilä Marine, which began last week, would end "in a week to 10 days."

The cost of saving for that rainy day

David Lascelles on results from the UK's big banks

"WE WANT to make this the beginning of the end," said Sir Kit McMahon, Midland Bank's chairman, yesterday, explaining his decision to make a heavy £846m charge against possible Third World loan losses.

His move capped an expensive week in British banking. Altogether the Big Four cleared set aside nearly £2bn in their interim results, in the process raising the cover on their Third World exposure from 35 per cent to close on 50 per cent.

on mortgage lending. The bank also made a small increase in provisions against its domestic loan portfolio, reflecting "slight unease" about possible worsening trends.

Third World debt provision cover

	Jun 30 1989	Dec 31 1988
Barclays*	48.0%	38.0%
Lloyds	47.0%	34.0%
Midland	50.4%	32.6%
NatWest	48.4%	35.0%

* excludes "developed countries" with payments difficulties



Several things seem to have prompted the clearers to take this drastic action for the second time in just over two years.

What made the extra provisions specially painful for the UK banks was the darkening background over the rest of their business, particularly the traditional UK high street market which proved buoyant last year.

Another striking change is the growth of the interest-paying current account. The first six months of this year marked the introduction of this new product through which the banks hope to claw back business lost to competitors in the retail market.

performance in the first half actually pushed its cost ratio up again, which Sir Kit described as "bloody disappointing."

capital position, though all managed to stay above the new internationally agreed Basle minimum ratios of capital to risk-adjusted assets.

Other bankers said there was also a growing feeling that UK banks were under-provided compared to many other European banks (though not to US banks).

What the clearers now have to decide is how to deal with Mexico which is at the top of the Brady agenda. Under the recently agreed refinancing plan, they have three options: to exchange their loans for bonds worth only

the worst cost structure of the four. The bank's strikingly poor

With both Lloyds and Midland reporting losses, there was an overall decline in the clearers'

Bank chairmen were keen to dispel any notion, however, that they would have to resort to further rights issues to restore their ratios to earlier levels. This was particularly the case at NatWest where the recent buffeting caused by the Blue Arrow scandal have left management anxious to repair the damage to confidence.

Owners may bolster their capital ratios by selling Yorkshire Bank

By David Barchard in London

YORKSHIRE BANK, the small Leeds-based bank which is jointly owned by Barclays, National Westminster, Lloyds, and the Royal Bank of Scotland, may be about to change hands.

already waiting in the wings, the Royal Bank of Scotland and the National Australia Bank which announced earlier this week that it was raising equity capital to help finance overseas expansion.

The strongest contender to buy Yorkshire is National Australia Bank which is believed to have approached the shareholders with an offer.

Bank analysts estimate that its owners could expect to realise between £600m and £700m (£1.2bn) THROUGH THE sale of Yorkshire, funds which could be used to beef up capital ratios depleted by heavy Third World debt provisions.

According to bankers in London, two possible purchasers are

Yorkshire Bank has contributed steadily to the profits of its owners, adding £23m to NatWest's half-year figures alone.

BA warns of turbulence ahead

By Clay Harris in London

BRITISH Airways yesterday warned of a "small patch of turbulence" ahead as it reported pre-tax profits of £96m (£158m) for the three months to June 30.

terms of people's travel habits. "There was no impact so far in BA's second quarter, the peak travel season," Sir Colin said.

per cent rise in the number of scheduled passengers carried.

Lord King, chairman, who has had turbulent weeks himself recently over his remuneration by BA and FKI Babcock, warned: "There may be some further softening of the economy, we must take further action to control our costs and we must alert ourselves to increasing competition."

The aircraft are to be used for long-haul flights to Australia and the Far East, increasing BA's competitive position on those routes and freeing other 747s for North Atlantic operations.

Group turnover rose by 15.1 per cent to £1.17bn (£1.02bn), of which airline operations accounted for £1.14bn (£99m). The operating surplus was 15.1 per cent ahead at £124m (£106m) and interest payable fell from £32m to £27m, including an £8m exchange rate loss on foreign currency loans. Earnings per share rose 16.2 per cent to 8.5p (7.4p).

BA's second-quarter traffic was unlikely to rise by more than the 2 to 3 per cent increase in aircraft capacity. Capacity growth in the first quarter was limited to 2.4 per cent because of late delivery of 747-400 aircraft from Boeing.

The pre-tax figure represented an 18.5 per cent advance over the £81m achieved in last year's first quarter. That result was depressed from the previous £90m because of the costs of integrating British Caledonian, a former competitor.

The airline's operating surplus would have been £17m higher if not for the combination of sterling's weakness against the dollar and its strength against continental currencies.

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The knowledge that you're paying a mere 0.25% in charges, compared with stockbrokers' usual commissions of around 1.65%, might ease another crease from your brow.
And, while it's easy to be cheerful when it's a bull market and share prices are rising, here's something to bear in mind when prices drop.
Everyone should know that the value of shares can fall as well as rise, and that past performance is no guide to the future.
But those in the know also remember this. If you're investing monthly, you get more shares for your money when prices are low. So, provided you can wait for markets to rise again, you're laughing.
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INTERNATIONAL COMPANIES AND FINANCE

Foreign subsidiaries boost Deutsche Bank's result

By Haig Simonian in Frankfurt

DEUTSCHE BANK, West Germany's biggest bank, yesterday announced partial group operating profits of DM1.87bn (\$1bn) in the first six months of the year.

The result was boosted partly by the first-time consolidation of two foreign subsidiaries, Banco Comercial Transatlantico and Albert de Bary, the Spanish and Dutch banks in which Deutsche Bank gained full control in April and December respectively.

A direct comparison with Deutsche Bank's interim earnings in the equivalent period last year is not possible, as this is the first time the bank has published a figure for interim partial operating profits at group level, rather than just a percentage rate of change.

However, the bank said its partial operating earnings had risen by 20.5 per cent against one half of last year's results.

Full operating profits, which include gains from trading on the bank's own account, are still not revealed. But the bank, headed by Mr Alfred Herrhausen, chief executive, said they had risen by 20 per cent at group level compared with one half of 1988.

Closer comparison of the results is easier at parent bank level, where partial operating profits soared by 42 per cent to DM1.26bn against the first six months of last year.

Parent bank interest income rose by 10.5 per cent to DM2.57bn, while fee income rose by almost 16 per cent to DM1.04bn. The bank also

revealed first-time group figures for interest and fee income, which stood at DM3.72bn and DM1.37bn respectively. Group total assets amounted to DM334.1bn.

The results, which round off this year's interim reports from Germany's big three banks, reflect the continued buoyancy in the domestic economy, which has seen strong credit demand more than compensate for continuing pressure on banks' lending margins. Credit demand rose by DM9.7bn to DM131.8bn at parent bank level.

Deutsche Bank said the reduction in interest margins had now been stabilised following a further decline early in the year. Meanwhile, fee income had risen sharply due



Mr Alfred Herrhausen

to the strong upturn in the German equity market. But it is on the cost side that the bank has made its biggest improvement. Salaries and wages at the parent bank rose by just DM10m in the first six months of this year to DM1.22bn.

Amax raises Falconbridge stakes

David Owen on a new combatant eyeing the Canadian mining group

Mr Bill James must have had a spring in his step on Wednesday morning when he walked into the office of Mr Alf Powis, chairman of Noranda, the Canadian natural resources group.

The two men are former colleagues and old friends — to the extent that Mr Powis recently regaled Mr James — chairman of Falconbridge, the diversified Canadian mining group — with a lawn-full of plastic flamingos on his 60th birthday.

None the less, the craggy Mr James has been fighting tooth and nail to elude the clutches of the Bronfman-controlled Noranda since last summer, when Mr Powis ordered his brokers to start accumulating

usually assemble a controlling block on the open market. Clearly not all shareholders would benefit to the same degree from such an approach; hence Mr James' unstinting opposition.

Now Mr Powis must decide whether to cash his chips, at a substantial profit of about C\$220m, or to come out fighting. Should he plump for the latter course, the dilutive provisions enshrined in the rights plan mean he must bid for the whole company.

"This is not a poison-pill, it is a vitamin pill," claims Mr James with characteristic aplomb. "Any company can bid that will bid for all the stock." What we don't want to see is a creeping takeover.

"This is not a poison-pill, it is a vitamin pill. Any company can bid that will bid for all the stock."

Mr Bill James

In favour of a Noranda offer is the comparatively low price it paid for its existing Falconbridge stake. This means the company can outbid Amax for the shares not already in its own hands, without necessarily outspending it in overall terms.

Against it is the view of several analysts that Amax's offer is "generous." Mr Rick Cohen, a Toronto analyst with BBN James Capel, says: "The best valuation we had on Falconbridge was C\$20 a share."

On the other hand, some London analysts believe the bid may be on the cheap side.

Falconbridge stock. To date they have snapped up about 24 per cent of the company.

And when the two men met this week Mr James was able to inform his counterpart at Noranda that he intended to sell Falconbridge to US-based Amax, the big resources group, for C\$36% a share, or C\$2.8bn (US\$2.4bn).

The Amax bid and its accompanying shareholder rights plan have dramatically raised the stakes in the year-old tussle for control of Falconbridge, Canada's fourth-largest mining group and the western world's second-largest nickel producer, accounting for 14 per cent of western world supplies.

Last year's buy-order from Mr Powis followed hard on the heels of Falconbridge's attainment of full independence through the C\$949m purchase of a 25 per cent block of its own shares from Placer Dome, the large Canadian gold producer.

Until this week's developments, Falconbridge had seemed inexorably to be slipping into the Bronfman family web via a "creeping takeover" whereby Noranda would grad-

meanwhile, is examining the details of the Falconbridge "vitamin pill." "We might challenge the rights plan," Mr Powis says. "I don't rule out anything at this stage."

Whoever emerges victorious, the eventual takeover of Falconbridge will continue a global trend towards consolidation in the mining sector. Companies flush with the proceeds of two years of generally buoyant commodity prices are looking for targets and jockeying for position.

All three companies in the current imbroglio are performing impressively again after years in the doldrums in the early to mid-1980s. Amax, for example, made net profits of US\$245.1m in the first half of 1989 on sales of \$2.05bn. In the same period, Falconbridge's net income doubled to C\$255m on revenues of C\$1.3bn.

The arrival of Amax to frustrate Noranda's typically parasitic original takeover strategy was, none the less, surprising to many. Earlier in the decade, after all, the Connecticut-based company had extracted itself from nickel and zinc — another Falconbridge staple — as part of a much-needed restructuring programme.

The strategic fit between Amax's remaining core businesses — aluminium, coal, gold and molybdenum — and Falconbridge's strongholds of nickel, copper and zinc is far from obvious.

Aluminium, of which Amax is the third-largest integrated producer in the US, accounted for 65 per cent of its first-half sales, with coal contributing a further 14 per cent. For Falconbridge in 1988, nickel and ferro-nickel were the dominant revenue sources, at 49 per cent of sales.

Indeed, synergies between Noranda's extensive base metals holdings and Falconbridge's much-coveted Kidd

Creek copper-zinc-silver ore-body near Timmins in northern Ontario are more readily apparent. Noranda's need for fresh copper and zinc reserves to replenish its own depleted deposits is well-known. Falconbridge acquired the mine from under Noranda's nose in 1985 as a means to reduce its dependency on the volatile nickel market.

Amax explains its apparent U-turn in terms of quality of assets. The company says: "We didn't have what we regarded as quality positions at the time. Mining and metals today is a worldwide business. If you cannot be in the lowest quartile in production costs, you had better get out."

Evidently, with Falconbridge's Kidd Creek operation

"We either laugh all the way to the bank or we compete. I couldn't tell you which of these we will decide to do."

Mr Alf Powis

and its nickel facilities in Canada, Norway and the Dominican Republic, such concerns do not arise. Mr Allen Born, Amax chairman, says: "[Falconbridge] will complement Amax's current metals businesses. At this point we have no intention of selling assets to finance the deal."

Mr Born is also a former colleague of Mr James, having been chief executive of Canada's Placer Development when the Falconbridge chairman was on the board.

Should the Amax bid prevail, it would have to run the gauntlet of the Canadian regulatory authorities. Although Prime Minister Brian Mulroney's Conservative administration has adopted a more relaxed attitude to foreign ownership than its Liberal predecessor, many Canadians remain sensitive to the high level of foreign holdings of domestic business assets.

This week's speculation that Canadian Pacific, once the backbone of the entire domestic economy, has been targeted by a foreign suitor will have done nothing to assuage these sensibilities.

Buoyant chemicals side bolsters Akzo

By Laura Raun in Amsterdam

AKZO, the Dutch chemicals and fibres group, boosted its profits in the second quarter of 1989 with an across the board improvement fuelled by the buoyant chemicals industry.

Net income climbed 12 per cent to Fl 270.6m (\$130m) from Fl 242.4m a year earlier while per-share earnings rose 10 per cent to Fl 6.63 from Fl 6.02.

Mr Syb Bergsma, board member in charge of finances, described the quarterly results yesterday as "excellent" and repeated that full-year earnings were expected to "significantly exceed" those of 1988. He forecast that Akzo would suffer relatively little if bulk

chemicals weakened, as the Dutch company was less reliant on that sector than some competitors.

Commenting on the long-term forecast of a decline in the chemicals industry, Mr Bergsma said: "We see no sign of a downturn, at least in the short term."

"If it occurs we are reckoning on a slowdown in growth rather than a downturn."

All product sectors reported higher operating income except for fibres and polymers, where margins were under pressure. Chemical products and coatings performed particularly well.

Operating income in chemical products rose 11 per cent to Fl 178m in spite of idle time for maintenance and weaker sales of vinyl chloride monomer in the Far East.

Specialty chemicals continued to grow satisfactorily and Mr Bergsma noted Akzo's recent purchase of an exclusive licence for a process developed by the US Library of Congress for the conservation of books.

Revenue rose 15 per cent to Fl 4.79bn in the quarter from Fl 4.1bn in the year-earlier period. Financing charges surged 24 per cent due to expenditures on property, plant, equipment and acquisitions.

In the first half, net income increased 14 per cent to Fl 498m from Fl 436.3m while per-share profits advanced 12.5 per cent to Fl 12.20 from Fl 10.84. The operating margin improved to 9.4 per cent in the first six months from 9.2 per cent a year earlier.

Turnover grew 14 per cent to Fl 9.29bn from Fl 8.16bn in the half year. Of that, higher selling prices accounted for 5 per cent, acquisitions for 4 per cent, currency translations for 3 per cent and sales volume for 2 per cent.

Linotype's first-half profits climb 27% to DM31m

By Haig Simonian

NET PROFITS at Linotype, the West German printing electronics group, rose 27 per cent to DM31m (\$16.5m) in the first half of this year, confirming the company's strong growth trend since being floated in October 1987.

Group sales increased by 22 per cent to DM339.1m, twice the rate of growth posted in the same period last year. Prospects for the year as a

whole remained "positive," the company said, although it was possible that present high growth rates would not be fully maintained for the rest of the year. Group net profits exceeded DM50m in 1988.

Mr Wolfgang Kummer, chief executive, said it had considered bidding for Crosfield, the UK printing technology company which is now subject to a takeover bid from Du Pont and

Fuji Photo Film. However, although Crosfield would have fit in with Linotype's activities, the current sale price was "very high."

Mr Kummer confirmed Linotype's continuing interest in possible acquisitions to further its expansion, but said it was not interested in Monotype, the UK printing technology company now thought to be for sale. Buying Monotype would

not be suitable technologically and could run up against monopoly constraints.

Nevertheless, Linotype was continually looking at acquisition prospects, although there was "nothing in the pipeline."

New orders for the group rose by almost 12 per cent to DM384m in the first six months of this year. The share of foreign business continued to rise.

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INTERNATIONAL COMPANIES AND FINANCE

TV retailer to appeal GTE verdict

By Anatole Kaletsky in New York

HOME Shopping Network, the world's leading "shop-by-television" retailer, said yesterday it would appeal against a Florida jury's decision that it must pay \$100m in libel damages to GTE Corporation, the big Connecticut-based telecommunications company.

The jury's unexpected award, which was announced in Tampa on Wednesday, represented another stunning reversal for the accident-prone HSN, a company whose total market capitalisation is now only \$370m. At the beginning of 1987, HSN was worth over \$3.5bn and was widely touted by Wall Street analysts as one of the greatest growth stocks of the decade.

Ironically, the libel verdict arose from a case which was

originally brought not by GTE but by HSN itself. Shortly after its stock price began declining abruptly in early 1987, HSN filed a lawsuit against GTE, which was its main telephone equipment supplier. The HSN suit blamed GTE for a sharp decline in HSN revenues. HSN said it had lost \$500m in profits as a result of failures in its GTE telephone equipment, which had resulted in up to 26,000 potential shoppers an hour being turned away by engaged signals.

HSN's main marketing technique is to advertise its merchandise on cable television programmes and encourage viewers to place their orders immediately by telephone.

In addition to damages of \$500m for alleged loss of prof-

its, HSN asked for punitive damages of \$1bn, and some stock market speculators had hoped that a large award in its favour would help to revive its flagging commercial fortunes.

However, HSN went beyond a mere lawsuit, issuing a press release on April 1987, which made further detailed accusations against GTE, its services and equipment. These public criticisms gave GTE the basis for a counter-suit, claiming damages for defamation. GTE said that HSN's profits had plunged because of mismanagement, poor service and consumer dissatisfaction with the quality of its merchandise.

The Florida jury essentially supported GTE's position, awarding \$20m in damages against HSN itself and \$40m

each against its chairman and president.

HSN said in a statement that the jury's decision had been based on misdirections by the judge in the case and on the court's refusal to admit evidence which was vital to HSN's position. The company said it would appeal against the decision and would seek to pursue its fraud allegations against GTE in a new trial.

Experts in US libel law suggested that HSN was unlikely to force a new trial against GTE, but would probably succeed in reducing drastically the jury's \$100m verdict against it. The company's stock rose 3/4 to \$3 3/4 yesterday, after falling \$1 on Wednesday night in response to the verdict.

Paul family divides up India's Apeejay

By David Housego in New Delhi

APEEJAY, an Indian group with interests in steel, pharmaceuticals, shipping and tea, has joined the ranks of companies controlled by Indian families who have decided to divide up both assets and management control.

But unlike other recent family splits in India, members of the Paul family which control Apeejay insist that this one is amicable. It results from the absence of a male heir to Mr Strya Paul, the eldest son, and from the recent jolt to the family caused by the death in a car accident of one of the two sons of Mr Strya Paul, the youngest brother.

Mr Strya Paul, the brother resident in the UK and who owns the British based Caparo group, the steel and engineering concern, said yesterday that the split had been "carried out to see that the next generation does not end up fighting with each other."

In India the four brothers have a reputation for having worked well together in expanding the business. Mr Strya Paul, an expatriate, was not involved in the division although he remains in close contact with the family's Indian business.

Under a three-way division Mr Strya Paul is taking over most of the Bombay interests of the company including Martin & Harris and Walter Bushnell, two pharmaceutical companies, as well as Surrendra Industries, a steel and tubes manufacturer.

Though the remaining two thirds of the group has been divided equally between Mr Jit Paul and Mr Surrendra Paul, management control is to remain with the latter brother who will be chairman and managing director of all companies owned by Mr Jit Paul.

The combined interests of these two brothers include tea, shipping, steel, hotels and property.

The Apeejay group - one of India's largest privately owned companies - publishes no financial statements, but Mr Strya Paul says the three-way division involved net assets of Rs33m (\$183.8m).

Tokyo tightens rules on anti-takeover tactics

By Stefan Wagstyl in Tokyo

THE JAPANESE Ministry of Finance is tightening rules on share issues to block any repeat of a controversial anti-takeover tactic attempted last month by two supermarket chains.

The move could make it slightly easier to mount hostile bids in Japan, but the barriers remain formidable.

The ministry will from next Tuesday bar companies from issuing shares for allotment to third parties at a price more than 10 per cent below the market value. The market value will be based on the average price for the previous six months.

This will replace an informal agreement among Japan's largest securities houses which stipulated that the issue price should be "similar" to the market value without defining that term.

Chujitsuya and Inageya, two

SHUWA, in addition to its stake-building among Japanese supermarket chains, yesterday declared a 15 per cent holding in Matsuzakaya, a leading department store group. Our Financial Staff writes.

Mr Shigeru Kobayashi, president of the privately owned Shuwa, was known to have been amassing a stake. He told the local Kyodo news service

he would soon take the necessary procedures as the top shareholder.

"I have a personal attachment to Matsuzakaya with which my father had a long business relationship," he was quoted as saying. The Nagoya-based Matsuzakaya was previously under the control of the Ito family, whose shareholding is now minimal. It ranks fifth in its sector by sales.

supermarket chains trying to fend off Shuwa's property group which has bought large stakes in each, last month announced plans to sell blocks of shares to each other in a way which would dilute Shuwa's holding. The plan was put together by Nomura Wasserstein Perella, a corporate finance affiliate of Nomura Securities.

However, on July 25 a Tokyo district court blocked the scheme on the grounds that the price of the new shares was too low. Chujitsuya intended to sell its stock at one third of the market value and Inageya at a quarter.

Securities companies will be obliged to refuse to underwrite issues for any company which violates the new regulations.

Finance side keeps Brascan profits rising

By Robert Gibbons in Montreal

BRASCAN, the main holding company of Mr Peter and Edward Bronfman, of Toronto, says strength in financial services and some consumer products units offset declines in the resource sector in the second quarter and first half.

First-half net profit was C\$145.1m (US\$123.4m) or C\$1.51 a share, up 16 per cent from C\$125.3m or C\$1.30 a year earlier, on revenues of C\$4.7bn, against C\$4.2bn.

Second-quarter profits were C\$74m or 77 cents a share, up from C\$68m or 71 cents, on revenues of C\$2.4bn, against C\$2.2bn.

Brascan said earnings for all 1989 should set a new record. Dofasco, Canada's largest steel maker, had an excellent first half but forecasts that demand will soften in the second half.

First-half earnings were C\$86.5m or C\$2.05 a share, up 11 per cent from C\$77.7m or C\$1.39 a year earlier, on revenues of C\$2.1bn, up 64 per cent. The latest period includes results from Algoma Steel, acquired a year ago from Canadian Pacific.

Second-quarter earnings were C\$80.2m or C\$1.24 a share, up 83 per cent from C\$43.8m or 78 cents a year earlier, on revenues of C\$1.1bn, up 69 per cent.

Air Canada ahead at mid-term

By David Owen in Toronto

AIR CANADA, the recently privatised Canadian airline, has reported a sharp downturn in second-quarter profits due to a reduction in asset disposal gains and lower investment earnings.

At the six-month level, however, net income soared by fully 62 per cent. Overall, the airline expressed itself "pleased" with its performance.

In all, second-quarter net income tumbled by 29 per cent to C\$33m (US\$28m) or 43 cents a share, from C\$46m or C\$1.07 a year earlier. Per share figures reflect a substantial expansion in the company's

equity base in the intervening period. Revenues rose by 9 per cent to C\$931m from C\$851m.

In the six months ended June 30, earnings reached C\$21m or 28 cents a share on revenues of C\$1.76bn. This compared with C\$13m or 21 cents on revenues of C\$1.66 bn a year ago. Operating profit over the same period almost doubled to C\$34m.

The reduction in investment income was attributed to a change in accounting methods. The change relates to the handling of Ireland's GPA Group, the aircraft leasing company in which Air Canada holds a sizeable minority stake.

The Government last month sold its remaining 57 per cent stake in the company for C\$12 a share or about C\$490m, taking the airline fully into private hands.

First-quarter earnings at CAE Industries, the Canadian manufacturer of flight simulators and other electronic equipment, surged more than 80 per cent.

Net income rose to C\$9.9m or 13 cents a share from C\$6.45m or 7 cents in the corresponding 1988 period. Revenues, buoyed by the acquisition of four US companies, more than tripled to C\$268.8m, from C\$85.1m in 1988.

Texaco and Exxon to fight tax

By James Buchanan in New York

TEXACO AND Exxon, the giant US oil companies, are to go to court to fight demands from federal tax authorities for some \$2bn in back taxes and interest. The claims mostly cover profits they allegedly made from trading cheap Saudi Arabian crude oil at the beginning of the 1980s.

Two other oil companies involved with Saudi Arabia, Mobil and Chevron, said they were still under audit by the Internal Revenue Service but believed the IRS case over the Saudi oil to be without merit.

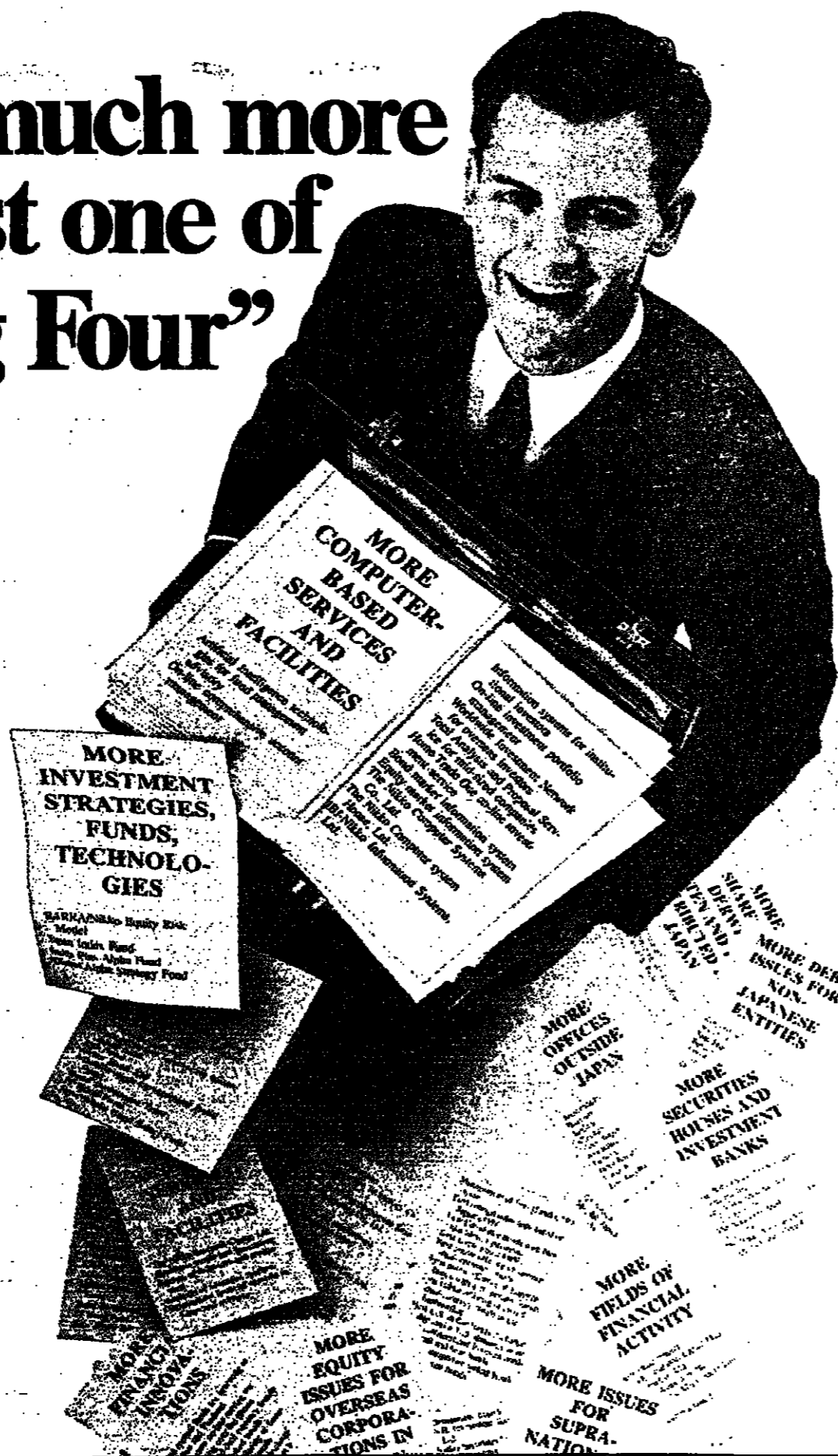
The four companies used to be partners in the Arabian American Oil Company, the venture that produces and sells the bulk of Saudi oil. The IRS case primarily concerns the so-called "Aramco Advantage" from 1979 to 1981, when Saudi Arabia sold its oil below prevailing prices in an effort to stabilise a turbulent market.

During this period, the four Aramco companies bought Saudi crude oil at discounts of up to \$6 a barrel and sold it to their refining affiliates in Europe, which then booked

handsome profits from selling refined products. The IRS wants to tax the companies as if they sold the crude oil at market prices and booked the profit themselves.

Texaco said that the tax authorities were demanding \$655m in back taxes on the Saudi transactions in 1979, 1980 and 1981 and \$25m in interest. Exxon said it had received a claim for \$269m covering 1979 alone and had already filed a challenge in the tax court. Texaco said it would file suit within 90 days.

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INTERNATIONAL CAPITAL MARKETS

US Treasuries dip in dull trading

By Karen Zagor in New York and Norma Cohen in London

US TREASURY bonds traded moderately lower yesterday morning. Yield on the bellwether 30-year bond remained well below 8 per cent and selling was subdued and confined mainly to profit taking ahead of the July employment figures due this morning. At mid-day the long-bond was down $\frac{1}{8}$ at 111 $\frac{1}{2}$, yielding 7.88.

GOVERNMENT BONDS

The Federal Reserve drained liquidity from the system by arranging overnight matched sales when Fed funds were at 8 $\frac{1}{2}$ per cent. Although the Fed's target level for the funds, the rate at which banks lend to each other, is still thought to be 9 per cent, they have closed below 9 per cent all week.

In early afternoon the dollar was trading in a narrow range at ¥136.95 and DM1.8655, up slightly from ¥136.80 and DM1.8575 late Wednesday in New York.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week Ago	Month Ago
UK GILTS	10.500	9/82	106.27	-0.02	10.85	10.74	11.21
	9.750	1/82	97.42	-0.02	10.19	10.05	10.45
	9.000	10/80	97.26	-0.02	9.34	9.27	9.45
US TREASURY	8.125	5/89	109.01	-0.02	7.70	7.65	8.11
	8.875	2/79	111.10	-0.02	7.78	7.68	8.08
JAPAN	No 111	4/88	96.9731	-0.010	5.09	5.14	5.38
	No 2	3/87	107.0619	-0.001	4.85	4.98	5.14
GERMANY	7.000	2/89	102.6250	-0.025	6.82	6.84	6.84
FRANCE	BYAN	1/84	97.5798	-0.247	8.58	8.06	8.05
	OAT	8.125	98.4700	-0.040	8.35	8.44	8.74
CANADA	10.250	12/88	107.1750	+0.000	8.08	8.51	8.28
NETHERLANDS	7.000	3/89	100.3500	-0.010	6.94	7.03	7.08
AUSTRALIA	12.000	7/89	94.4850	+0.158	13.00	13.27	13.40

London closing, *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds, others in decimal

Technical Data/ATLAS Price Sources

UK GOVERNMENT bonds suffered losses of up to $\frac{1}{8}$ point in very thin trading with most price declines reflecting mark-downs of existing inventory rather than outright sales. Dealers said that retail demand has been virtually nonexistent and with the sharp declines in the value of sterling yesterday, longer maturities suffered. Prices have shed over a point from recent highs and there appears little interest at current levels.

FRENCH GOVERNMENT bond prices slipped slightly, mostly in response to lacklustre US markets where investors are awaiting key employment data due today.

The French Government sold a total of FF4.71bn of Treasury bonds at its regular monthly bond auction yesterday. Bids focused heavily on the 10-year OAT 8.125 per cent 1999, but the Government also sold nearly FF3.0bn of its new 30-year bond, OAT 8.5 per cent 2019, launched in January this year and the longest maturity the French Government has issued. The auction will take the volume of outstanding 30-year stock to over FF1.1bn, adding depth at a maturity that matches the lifespan of the main benchmark US Treasury bond.

The Government accepted bids for FF2.95bn of the 2019 stock at a cut-off price of 99.85, giving a weighted average yield of 8.50 per cent, 41 basis points below the last auction a month earlier.

The main 1999 stock was sold at a cut-off price of 98.65, giving a weighted average yield of 8.32 per cent for the FF4.58bn of bids accepted. The yield was 38 basis points lower than at last month's auction.

Japanese buy 12% holding in CSFB

MITSUBI TRUST and Banking and six Japanese insurance companies have acquired a combined 12 per cent shareholding in US investment bank Credit Suisse First Boston, Reuters reports.

In New York, an official for CSFB said the company had made no formal announcement and that no statement on a sale of the stake is currently planned.

CSFB confirmed in June that it was holding talks with a group of Japanese insurance companies to take a stake of up to 20.5 per cent in the company.

Metropolitan Life Insurance Company of the US has already purchased a 10 per cent stake from Mr Sullivan Olayan, the Saudi Arabian investor who was brought in last December as a caretaker investor until permanent equity investors could be found.

He subsequently indicated that he might be interested in obtaining a permanent stake in the company.

According to Reuters, Mitsui bought a 5 per cent stake, and Dai-ichi Mutual Life Insurance, a 2 per cent stake. Nippon Life Insurance, Mitsui Mutual Life Insurance, Asahi Mutual Life Insurance and Daihoku Mutual Life Insurance bought 1 per cent each.

Purchase price for a 1 per cent stake was around \$21m, company officials said.

But officials declined to give a specific purchase price or other details of the deal. CSFB is owned 44.5 per cent by Credit Suisse affiliate CS Holding and 25 per cent by CSFB executive managers, 10 per cent by Metropolitan Life and the remainder by Mr Olayan.

Some officials said the purchase is purely for investment purposes and their companies do not plan to send executives to CSFB's board.

The Chicago Mercantile Exchange will consider a partial ban on dual trading in an attempt to protect customers from potential fraud. The ban was approved by the board of directors of the exchange and will be voted on by the membership, the CME said.

Swaps poised to blossom as CFTC steps aside

Deborah Hargreaves on a policy greeted with glee

In its recent policy statement on the burgeoning market for over-the-counter products, the Commodity Futures Trading Commission removed a cloud that had been hanging over the vast US swap market for several years.

By creating a safe harbour for swaps outside its jurisdiction, the futures industry regulator paved the way for a huge growth in this lucrative market sector.

The International Swap Dealers' Association greeted the announcement with delight. Mr Mark Brickell, ISDA chairman, said the CFTC's ruling leaves US and foreign firms free to develop and market all sorts of swap contracts in the US, removing the uncertainty that had surrounded the area.

Mr Brickell attributed the CFTC's change in direction to the astute leadership of Ms Wendy Gramm, who took over the chair of the CFTC last year. The reason why the CFTC's safe harbour policy has been welcomed with such glee is that it reverses the commission's previous approach to the sector.

In December 1987, the CFTC laid out a draft proposal for its approach to regulating the off-exchange market. In that first draft, the commission included swap contracts under its jurisdiction to be regulated like futures contracts.

In fact, the agency issued subpoenas to several US banks involved in developing commodity swaps. Fearing a crackdown on their nascent swap business, the banks moved their commodity swap teams to London.

The CFTC now says it will stay away from regulating swaps as long as they are not marketed to the public. This has already seen interest flooding back to the US, with the Phibro trading group taking full-page advertisements in US newspapers alerting readers that it will be back in the US swap business.

It is the youthful commodity swaps business that is most affected by the CFTC's decision, since this was just under development at the time of the agency's initial proposal. Inter-



Wendy Gramm: astute leadership of CFTC

bank swaps on interest rates and currencies are already well established with a worldwide volume of over \$1,000bn.

"The commodity swaps business has been greatly limited because of the threat of CFTC enforcement," explains Mr Tom Russo, commodities lawyer at Cadwalader, Wickersham and Taft in New York. "This new policy statement will lead to a huge growth."

Commodity swaps are used principally by the oil industry, but they can cover other commodities such as wheat or stock indices. A swap contract resembles a tailor-made futures contract for end-users of oil, such as shipping or airline companies, to hedge against fluctuations in the oil price.

In contrast with a hedge on the futures market, a buyer of a swap contract does not have to spend time monitoring his position in the market and meeting margin calls. Swaps often run over several years and are usually settled between buyer and seller in cash.

Ms Debra Kellner, assistant trading manager for Hedge Oil in Paris, a firm that offers tailor-made oil swaps, says she has seen the momentum of the market change over the past year as oil users have learnt more about using swaps. Hedge Oil has conducted over 1m tonnes of oil swaps since it was set up last May.

Indeed, the CFTC's policy statement has given a psychological boost to the whole mar-

ket. There has been much concern among the futures exchange community to see the swaps dilemma cleared since much swap business is eventually hedged on an established futures exchange.

In a bid to ensure that swaps remain distinct from futures, the CFTC has laid out five criteria for excluding swaps from its jurisdiction. These stipulate that a swap must be tailor-made and held to maturity — not offset by opposing contracts as often happens with futures contracts.

In addition, swaps are included in the CFTC's safe harbour as long as they are not supported by a credit or clearing organisation and are undertaken by commercial parties in the direct line of business. At the same time, the CFTC prohibits marketing the swap to the public.

Mr Russo says the line of business clause is still a restrictive item in the CFTC's statement. He believes it could lead to confusion without more guidance and could be an unnecessary limitation on the market. However, he admits this is a minor quibble about a very positive move by the CFTC.

Mr Bradley Ziff, executive director of the International Swap Dealers Association commented: "The fact that, after 18 months of scrutiny, the commission chose this course attests to the strength and soundness of the swap market."

Indeed, if commodity swaps grow to be as large as the market for financial swaps, their potential is huge. A recent international survey by the ISDA showed that total interest rate swaps reached a value of \$1,000bn last year with currency swaps totalling \$317bn. The market is still booming, with the use of swaps growing at a rate of around 30 to 50 per cent a year.

The vast swap market has spawned a variety of similar products known as caps, floors, collars and swaptions. Market players will now be able to apply their creativity to commodity swaps and the market looks set to blossom as the CFTC steps aside.

EdF Canadian dollar deal trades lower

By Andrew Freeman

FRUSTRATION was the word on syndicate managers' lips yesterday, as Eurobond markets largely defied new issue opportunities.

The C\$150m 10-year deal for Electricite de France launched very late on Wednesday by Paribas Capital Markets met general approval yesterday,

1%, comfortably inside full underwriting fees of 2 per cent, the paper slipped back to around less 1.95 bid, implying a spread of around 55 basis points.

Merrill Lynch was the lead

manager of a C\$75m two-year deal for its parent company. The 11 per cent coupon was aimed at the retail market. The 75 basis point spread over Canadian Treasuries brought out institutional demand and

the bonds traded steadily on fees at less 1 $\frac{1}{2}$ bid. Despite the slippage on the government market, the spread narrowed to around 72 basis points. The proceeds were swapped into floating-rate US dollars.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount \$m	Coupon %	Price	Maturity	Fees	Book runner
US CORPORATE						
Sekelul Int. Fin.	20	8 $\frac{1}{2}$	101 $\frac{1}{2}$	1992	1 $\frac{1}{2}$	Samwa Int.
Tokyo Car Corp.	130	10 $\frac{1}{2}$	100	1993	1 $\frac{1}{2}$	Yamashita Int. (Europe)
Flash Ltd. Series A (F)	30	10 $\frac{1}{2}$	100.10	1989	10bp	Samwa Int.
Issue update:						
Kubota Ltd. (F)	300	3 $\frac{1}{2}$	100	1993	1 $\frac{1}{2}$	Nomura Int.
Yamashita Int. (F)	150	3 $\frac{1}{2}$	100	1993	1 $\frac{1}{2}$	Yamashita Int.
Nippon Stainless Steel (F)	100	3 $\frac{1}{2}$	100	1993	1 $\frac{1}{2}$	Yamashita Int.
CANADIAN DOLLARS						
Merrill Lynch & Co. (F)	75	11	101.80	1991	5 $\frac{1}{2}$	Merrill Lynch Int.
D-MARKS						
Prima Meat Packers	180	(1 $\frac{1}{2}$)	100	1994	1 $\frac{1}{2}$	Commerzbank AG
Dalo Paper Corp. (F)	100	1 $\frac{1}{2}$	100	1994	1 $\frac{1}{2}$	Deutsche Bank AG
SWISS FRANCHES						
Michnolte Bank (F)	80	3 $\frac{1}{2}$	100	1993	na	Credit Suisse
Yamashita Int. (F)	80	3 $\frac{1}{2}$	100	1994	1 $\frac{1}{2}$	SBC
Daiichi Mutual Life Ins.	90	3 $\frac{1}{2}$	100	1994	1 $\frac{1}{2}$	SBC
Issue update:						
Kasai Kogyo Co. (F)	80	2 $\frac{1}{2}$	100	1993	na	Yamashita Int.
Nippon Toyota Corp. (F)	80	3 $\frac{1}{2}$	100	1994	1 $\frac{1}{2}$	Yamashita Int.
FRENCH FRANCS						
Norsk Hydro AS (F)	300	8 $\frac{1}{2}$	101 $\frac{1}{2}$	1995	1 $\frac{1}{2}$	Paribas Cap.Mkt.

SWN equity warrants. (F) Final terms. (a) Coupon cut by 1%. (b) Coupon fixed at 10%. (c) Yield to put 3.752%. (d) Coupon by 1%. (e) 15bp over 6-month Libor. (f) 15bp over 3-month Libor. (g) Fungible with FF 500m issue launched Jan. 1988.

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

British Funds	Rises	Falls	Same
Equities	378	97	33
Financial and Properties	178	103	385
Commodities	2	24	6
Placements	68	10	97
Mines	68	10	97
Others	68	10	97
Totals	728	657	1,350

LONDON RECENT ISSUES

Stock	Price	Change	High	Low	Open	Close	Volume	Value
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200

FIXED INTEREST STOCKS

Stock	Price	Change	High	Low	Open	Close	Volume	Value
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200

RIGHTS OFFERS

Stock	Price	Change	High	Low	Open	Close	Volume	Value
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200

TRADITIONAL OPTIONS

Stock	Price	Change	High	Low	Open	Close	Volume	Value
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200
100 F.F.	122	+1	122	121	122	122	100	12,200

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS										Thursday August 3 1989					Wed Aug	Tue Aug	Mon Jul 31	Year ago (approx)	
& SUB-SECTIONS																			
Figures in parentheses show number of stocks per section										Index No.	Day's %	Es. Earnings Yield (%)	Gross Div. Yield (%) (25%)	Est. P/E Ratio (Net)	Vol. adj. 1989 to date	Index No.	Index No.	Index No.	
1	CAPITAL GOODS (207)	987.84	-0.1	10.77	4.12	19.57	988.27	994.24	995.24	825.47									
2	Building Materials (29)	1238.91	-0.2	12.86	4.33	10.33	1252.32	1231.31	1231.05	1247.22									
3	Contracting, Construction (38)	1615.47	+0.1	14.43	4.33	9.06	1613.29	1609.96	1614.16	1616.83									
4	Electricals (9)	2898.20	-0.5	8.97	3.97	15.33	2896.73	2904.96	2904.97	2938.17									
5	Electronics (30)	2241.33	-0.7	8.66	3.35	15.08	2238.81	2248.12	2248.12	2282.74									
6	Mechanical Engineering (53)	2416.06	-0.1	8.75	3.9	15.05	2417.93	2422.11	2422.11	2477.77									
7	Metals and Metal Forming (6)	5115.95	-0.1	19.77	5.78	15.55	5148.4	5139.52	5216.43	5066.25									
8	Motors (17)	358.13	-0.7	10.47	4.24	11.22	363.8	364.54	356.65	359.71									
9	Nonferrous Metals (23)	1704.49	+0.6	9.9	3.49	13.34	1735.56	1699.49	1699.49	1698.17									
10	CONSUMER GROUP (236)	1428.49	-0.1	8.13	3.18	24.21	1432.16	1421.28	1421.28	1421.28									
11	Brewers and Distillers (22)	1493.00	-1.0	8.35	3.27	14.02	1517.93	1478.62	1469.81	1117.37									
12	Food Manufacturing (20)	1189.88	-0.4	8.49	3.51	14.74	1205.11	1188.81	1187.92	1012.18									
13	Food Retailing (14)	2579.10	-0.5	7.81	3.67	16.91	2527.45	2543.07	2535.21	2094.83									
14	Health and Household (14)	2481.47	-0.7	6.11	3.27	16.11	2492.88	2490.44	2490.44	1883.57									
15	Leisure (33)	1428.49	-0.1	7.10	3.14	17.47	1397.39	1377.55	1378.65	1117.37									
16	Packaging & Paper (15)	667.88	-0.2	6.65	1.88	10.06	671.1	688.09	683.36	601.25									
17	Publishing & Printing (19)	3751.95	-0.1	8.47	4.44	15.22	3725.9	3734.59	3733.31	3797.26									
18	Stores (34)	1984.86	-0.4	9.68	4.92	13.38	1985.19	1987.33	1987.01	827.28									
19	Textiles (15)	599.56	-0.5	8.69	4.4	11.28	601.73	581.73	581.73	499.17									
20	OTHER GROUPS (93)	1183.81	-0.2	9.73	4.81	12.56	1184.52	1184.83	1185.34	911.06									
21	Agencies (17)	1357.59	+1.9	9.9	2.20	17.94	1399.41	1499.9	1497.91	1121.29									
22	Chemicals (22)	1315.33	-0.3	11.24	4.71	10.49	1328.03	1318.86	1319.95	1084.21									
23	Conglomerates (13)	1741.82	+0.9	8.68	11.98	24.82	1725.88	1719.87	1719.87	1237.54									
24	Transport (13)	1228.68	-0.4	8.68	4.69	19.22	1267.25	1272.18	1272.18	1067.17									
25	Telephone Equipment (2)	1880.94	-0.6	11.34	4.59	11.49	1881.75	1881.75	1881.75	973.74									
26	Miscellaneous (26)	1957.85	-1.1	8.39	3.84	13.54	22.8	1982.59	1985.43	1209.47									
INDUSTRIAL GROUP (486)										1221.13	-0.2	9.29	3.55	15.31	60.83	1225.84	1216.11	1217.19	995.24
1	Oil & Gas (14)	2154.57	-0.1	9.86	5.19	13.49	2424	2152.42	2149.08	2158.79	1483.48								
500 SHARE INDEX (500)										1382.53	-0.1	9.26	3.85	19.53	24.38	1384.13	1295.57	1297.42	1067.29
FINANCIAL GROUP (124)										786.34	+0.2	-	5.15	-	18.87	784.96	783.49	788.54	714.02
1	Banks (9)	783.10	-0.2	22.86	6.38	5.96	23.46	781.87	781.26	783.25	667.44								
2	Insurance (13)	1753.83	-0.1	8.49	4.4	11.28	1756.12	1757.25	1757.25	1757.25									
3	Insurance Companies (7)	1753.83	+0.6	-	5.76	-	16.75	1628.33	1618.62	1621.40	561.71								
4	Insurance (Brokers) (7)	157.86	-0.2	7.89	6.49	17.85	31.58	158.84	164.33	177.99	988.74								
5	Merchant Banks (10)	385.64	-0.3	-	4.34	-	7.36	386.77	386.38	379.59	359.10								
6	Property (52)	1378.91	-0.2	6.16	2.84	30.69	1376.37	1375.79	1375.79	1257.71									
7	Real Estate (3)	325.24	-0.3	3.24	11.21	11.21	325.8	325.8	325.8	325.8									
8	Investment Trusts (49)	1222.99	+0.3	2.69	-	-	17.47	1221.37	1223.67	1223.67	927.04								
9	Winning Finance (8)	692.19	-	8.03	3.71	13.87	10.45	692.01	691.26	690.80	529.29								
10	Overseas Traders (2)	1414.67	-0.6	9.84	10.92	11.60	14.33	1426.46	1421.79	1414.11	1172.85								
ALL-SHARE INDEX (703)										1176.27	-0.1	-	-	-	22.73	1177.16	1176.46	1173.25	975.28
										Index No.	Day's Change	Day's Low	Day's High	Aug 2	Aug 3	Jul 28	Jul 27	Year ago	
FT-SE 100 SHARE INDEX										2306.31	-1.5	2316.1	2298.0	2307.8	2292.3	2297.0	2306.1	2283.7	1869.1

UK COMPANY NEWS

TI exceeds expectations with £49.2m

By John Ridding

TI GROUP, the restructured specialist engineering company, yesterday announced pre-tax profits ahead 23 per cent from £40.1m to £49.2m for the six months to June 30.

The results generally exceeded expectations but profit-taking pushed the shares down 10p to 46p.

Turnover fell from £473.2m to £460.9m, largely reflecting the disposal of the silencer and Canadian automotive businesses at the end of 1988 and the sale of the Bundy Performance Plastics business in 1989.

The sale of some lower margin businesses and a full six months contribution from Bundy, manufacturer of specialised small-diameter tubing,

helped raise operating margins from 8.8 per cent to 10.3 per cent.

However, Mr Christopher Lewinton, chairman, said that "just over half of the increase in profits came from organic growth" where margins were improved by price rises, greater production efficiency and "a number of other factors."

Of TI's main divisions, specialised engineering raised profits from £19.1m to £24.5m and specialised tubes, boosted by acquisitions and stronger than expected European car markets, rose from £16.4m to £22.5m.

The automotive division saw profits decline from £9m to £3.3m, because of the disposal.

However, Mr Lewinton said interest savings largely offset the fall at the operating level.

With respect to the economic conditions in the US and UK, Mr Lewinton said that the group "had seen softening in a few business areas" but that this only really affected the automotive division in North America.

Mr Lewinton said TI was "essentially in the shape that we wanted to achieve when we started to restructure in 1986." However, the group would continue to seek acquisitions of a "bolt-on" nature, and also possibly to create a new leg to the business.

He said any new acquisition would have to be in line with the group's strategy and would

therefore be in specialised engineering, with high value-added and would hold a leading position in its market.

Earnings per share increased from 18p to 22.2p and the interim dividend is raised by 21 per cent, from 4.75p to 5.75p.

● COMMENT

TI continues steadily along the course it charted in 1986, and the success of its specialist engineering strategy is shown clearly by the fact that profits for that year were less than yesterday's interims. Such rates of growth will obviously be hard to sustain, particularly in a climate of higher interest rates, and there are some doubts about the refrigeration-

related business. But the group is now widely spread both geographically and in terms of product. The automotive sector, TI's largest single exposure, is down to 18 per cent of sales and the UK represents only 20 per cent of turnover by destination. With one-third of earnings coming from replacements, and a growing proportion of service-related business, margins are more rigid down-

wards than upwards and will benefit from the integration of acquisitions, notably in thermal technology. Analysts have increased forecasts to £102m for the year and expect £113m in 1990. Current trading and the strength of TI's management and balance sheet suggest the prospective rating of 10 is not generous.

Hanson bid for Gold Fields approved

By Nikki Tait

HANSON, the UK conglomerate, yesterday won its own shareholders approval for its £2.5bn bid for Consolidated Gold Fields, the mining investment group. The bid, recommended by Gold Fields, is due to reach its first close today.

At the extraordinary general meeting called to approve the deal, a couple of small shareholders with holdings in both companies expressed hopes that Hanson would not immediately embark on a break-up of the Gold Fields group. Hanson's reputation has been built on its ability to select and take over industrial groups, from which it has usually then sold on major subsidiaries.

In reply, Lord Hanson, chairman, contended that the company has "no plans at this time" for Gold Fields if it gains control, and that the group has learnt over the years that it was unwise to make pronouncements about future intentions for companies it was seeking to acquire.

Lord Hanson was also asked about one Press report which suggested that some institutions had been recent buyers of Gold Fields shares and that there could be problems in reaching the 90 per cent acceptance level at which the minority shareholdings could be compulsorily acquired.

"As we all know," replied Lord Hanson, with heavy irony, "the Press are always very accurate. It is summer and has been hot. But I would have thought that Sir James Goldsmith would have taken us off the front pages." More seriously, he added that Hanson had no evidence of any major "frustrating" buying.

The approval for the offer was gained on a show of hands - with just four shareholders dissenting. Proxies were also overwhelming in favour.

Hawker Siddeley

Hawker Siddeley has acquired Angier SA, a privately-owned French electrical transformer manufacturing company, for £2.9m.

Second interim loss at Midland Bank in three years

By David Berchard

MIDLAND BANK, the third largest clearing bank, plunged back into the red after making heavy provisions against loans to developing countries and with sharply reduced profits at Midland Montagu, the corporate banking and global investment arm.

The pre-tax loss of £531m during the first six months of this year compared with a profit of £318m. The bank has incurred interim pre-tax losses for two of the last three years, though this year's loss was below the £665m reported for 1987.

The results were greeted with some despondency on the stock market where the shares fell 9p to close at 96p. Analysts were dismayed not only by the return of the debt problems but also by the poor performance of Midland Montagu.

Sir Kit McMahon, group chairman, said that Midland had decided to bite the bullet by making provisions of £546m, cutting its total cover against high-risk developing country debt from 32.6 per cent to 50.4 per cent.

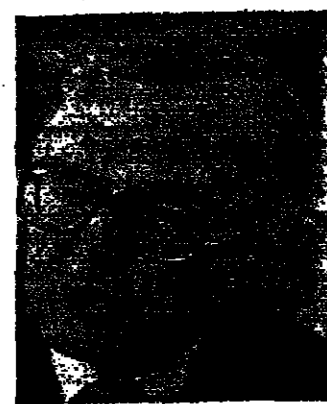
Total assets were £55.51bn at the end of the period, compared with £53.91bn a year ago. Total capital resources were £4.95bn (£4.70bn).

Sir Kit said that he was extremely pleased by the UK banking operations which made a profit of £256m, up by 27 per cent (£201m). The figures reflected high growth in lending, particularly to small and medium-sized businesses.

However, profits from associated companies in UK banking activity were down from £37m to £7m and Forward Trust, the group's finance house, reported a reduced profit of £25m (£29m).

Midland Montagu, the activities of which include treasury, securities, merchant banking, and international banking, contributed only £20m, against £110m.

Midland Montagu was hit by a number of factors. There was a £54m provision for bad debts, including at least two caused by fraud. The bank took what Sir Kit described as a wrong position on interest rates early in the year, assuming that they had peaked. Treasury and



Sir Kit McMahon: pleased by UK banking operations

money markets operations had fared much worse than a year ago.

Another disappointment was operating expenses which during the last eighteen months Midland has been struggling to reduce. The bank's cost/income ratio now stands at 68.2 per cent compared with 66.7 per cent a year ago, though it has fallen from 69.6 per cent at the start of the year.

Domestic net interest margins fell from 5.1 per cent a year ago and 4.8 per cent at the start of the year to 4.5 per cent, while the net interest margin for the group as a whole was 3.2 per cent (3.5 per cent). The domestic net interest spread in the first half was 2.5 per cent (3.5 per cent) and the group net interest spread was 1.8 per cent (2.2 per cent).

The charge for bad and doubtful debts in UK banking rose to £36m (£25m).

Losses per share were 49.8p (earnings 80.2p), but the interim dividend was increased by 7.3 per cent to 7.5p (6.8p), which Sir Kit described as a reasonable increase, though it is well below the increases announced by the other large clearers.

The total equity to total assets ratio fell to 4.2 per cent (5.2 per cent), and its risk/assets ratio under the Basle Agreement dropped from 11.8 per cent at the beginning of the year to 9.7 per cent.

See Lex

MTS recommends £8.8m bid

By Edward Sussman

MEAT TRADE Suppliers, the troubled sausage casing supplier with appealing property interests, is officially in play. MTS recommended a reverse takeover by Alpha Gamma, a property developer, but hinted it was open to a higher bid.

Mr Campbell Allan, an MTS director, said: "This is the best offer we've seen, but the board will be flexible."

Alpha Gamma is offering to pay 33p for two of every five MTS shares. The bid values MTS at about £8.8m, substantially below the £11.2m implied

by its 430p suspension price in March. MTS, in turn, is offering to buy Alpha Gamma for £12.3m - only £300,000 of which is in cash, with the rest in 3.5m MTS shares, compared with the 2.6m currently in issue.

The offer pits Alpha Gamma against Twigreal, a company created to bid for MTS. It is controlled by Mr Freddy Hirsch, a South African butcher's supplier, and Mr Stephen Wingate, a UK property developer.

No specific offer has yet been

made by Twigreal, but on Wednesday it acquired rights to 24.54 per cent of MTS, conditional on a successful bid being made.

Mr Allan's wife, Mrs Samantha Allan, is the MTS chairman and led a faction backed by M&G Trust, a 16.5 per cent stake holder, to oust her father, Mr William Anstis.

Mr Anstis and three of his children are believed to be backing Twigreal. Both suitors say they would also develop MTS's meat business as well as exploit its property.

Smith New Court's highest paid director gets £0.54m

By Richard Waters

A director of Smith New Court was paid £541,000 last year, nearly three times as much as the securities firm's highest paid director in 1987-88, even though the firm slid heavily into loss.

A substantial part of the payment represented the deferred joining fee, or "golden hello", of a director taken on in an earlier year, said Mr Anthony Abrahams, head of UK market making. He declined to name the director concerned.

The next highest paid director received £180,000-£185,000 in the year to May 5, suggesting that the "golden hello" element was in fact of £65,000.

Besides the "golden hello", Smith New Court's accounts also show a payment of £220,000 to compensate a former director, Mr John McNair, for loss of office.

The payments came in a year when Smith New Court reported a pre-tax loss of £12.6m, compared to a profit of £7.6m the year before.

Unilever buys out W German associate

By Lisa Wood

Unilever, the Anglo-Dutch food, soap, cosmetics and chemicals group, has become the sole owner of Homann, a West German edible fats, salads and sauces group in which it has held a 50 per cent stake since 1929.

The price of the deal has not been disclosed but industry observers yesterday estimated a price tag of about £80m for the 50 per cent stake held by the Homann family.

The Homann group, achieved sales of DM 529m (£165m) in 1988. Edible fats are the largest part of its business but substantial growth has come from pre-packed salads.

Acquisitive P&P accelerates 52% to £5m

By Vanessa Houlder

P&P, the microcomputer dealer and distributor, increased pre-tax profits by 52 per cent from £2.3m to £3.5m in the six months to May 31. Turnover increased by 50 per cent to £28m.

The result included a £400,000 profit and £2.8m turnover contribution from Personal Computers, the USM-traded microcomputer distributor acquired for £11.46m in February. The company, which had been making losses before its acquisition, had been successfully integrated, said P&P.

Professor Roland Smith, chairman, said there had been excellent growth in all sales

divisions. Sales to large corporate clients continued to show a significant increase, supported by its value added approach, he said. Distribution divisions performed in line with expectations.

Mr David Southworth, group managing director, said P&P was seeking UK acquisitions and planning to expand in continental Europe, to meet opportunities from suppliers such as Hewlett-Packard, which was intending to move its distribution onto a pan-European basis.

Fully diluted earnings increased by 12.5 per cent from 8.8p to 9.9p per share. The

interim dividend is raised to 1.1p (1p).

● COMMENT

It almost goes without saying that P&P has come a long way from its origins in 1980 as Pete and Pam Computers, started by social workers from their south London home. But, perhaps more importantly, it has also changed substantially since the arrival of new management in 1988. The bias of the business towards distribution has been reversed, with direct sales to big corporate clients now taking the lion's share. As a result, P&P is enjoying high margins by

emphasising training, installation and maintenance, which allows it to shunt off the price wars and singlish demand that are bedeviling many other distributors. In view of this and P&P's apparent success turning round Personal Computers, P&P's rating of 11, assuming pre-tax profits of £10.5m for the year and a share price of 215p, up 1p, seems undemanding. Its share price may, in the short term, continue to be dampened by the overhang of shares issued for Personal Computers but longer-term investors will be attracted by its growing reputation as the best managed company in the sector.

This announcement appears as a matter of record only.

July, 1989



THE BRENT WALKER GROUP PLC

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PARTICIPANTS
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Svenska Handelsbanken, London Branch

We're not just one of Britain's biggest businesses

Few would be surprised to learn that distributing and supplying electricity is one of the largest enterprises in Britain.

Even the fact that our total annual turnover in England and Wales is larger than ICI worldwide* may not raise many eyebrows.

We are in fact separate and local electricity boards. And as such, we are 12 very large and successful British businesses.

What may come as rather more of a revelation, however, is the scale of each of the individual area board's operations.

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The key to our success is the commitment to our customers in the regions through the common responsibility to supply electricity.

And, in meeting this responsibility, we offer both our business and domestic customers advice on the most efficient use of energy.

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We've always been seen as one of Britain's most important businesses.

In fact, we're twelve of them.

The local Electricity businesses.

*As at 31.12.88.



UK COMPANY NEWS

Robert Maxwell falls silent over sale of De La Rue subsidiary
Shareholders vote to sell Crosfield

By Andrew Hill

MR ROBERT MAXWELL yesterday surprised De La Rue by apparently dropping his attempt to block the banknote printer's sale of its Crosfield Electronics subsidiary.

De La Rue shareholders voted in favour of the £235m sale to Du Pont, the US chemicals group, and Fuji Photo of Japan, after Mr Maxwell, previously a vociferous opponent of the deal, fell silent. The publisher was said to be on his private yacht.

Attention is now likely to focus on the future of De La Rue. Shares in the group fell 9p to 319p yesterday and once the Crosfield sale is complete some observers believe the rest of De La Rue could be vulnerable to a bid from competitors.

Mr Maxwell holds 15 per cent of De La Rue in private interests. He bought the shares at around 420p in 1987 and controls a further 6.5 per cent through Scitex, an Israeli-based company which had indicated it might be prepared to outbid Du Pont/Fuji for Crosfield.

Scitex, 27 per cent of which is owned by Mr Maxwell's Mirror Group Newspapers, bought its stake at about 385p two weeks ago.

Each holdings could now be sold but only at a total loss of some £27m.



John White, De La Rue's finance director (left), and Peter Orchard, chairman, very happy with the outcome

The publisher had said he would press for adjournment of yesterday's meeting, but when Mr Peter Orchard, De La Rue's chairman, invited questions from shareholders nobody spoke.

In the ensuing poll, some 45 per cent of De La Rue's share capital was voted in favour of the resolution, including just under 5 per cent belonging to Société Financière de Genève (Sofigen).

About 24 per cent of the equity - including the Max-

well holdings - was cast against the deal.

Sofigen - the investment arm of Mr Carlo De Benedetti, the Italian industrialist and financier - expressed doubts about the Crosfield deal on Monday and said it was likely to vote for an adjournment of yesterday's meeting.

But Mr Tony Kirk, Sofigen's managing director who was at the meeting, said yesterday that the group was taken completely by surprise by the Maxwell camp's decision not to

press for adjournment.

Mr Kirk added: "We will all have to take our calculators out now and work out what [De La Rue] is really worth."

Scitex would not say yesterday what its next move might be or why it had dropped any attempt to adjourn the shareholder meeting. A company statement said Scitex "would now consider what further action, if any, it could take to pursue its interest in Crosfield, both in its own interests and in the interests of all De La Rue shareholders."

Both Mr Maxwell and Scitex have said they will not bid for De La Rue this year.

De La Rue's finance director, Mr John White, said yesterday: "Obviously we are very happy with the outcome and I am also very pleased at the level of support we have had from our shareholders, both private and institutional."

As to the future, he added: "It's always very difficult to predict what Mr Maxwell is going to do."

Dolphin purchase

Dolphin International, an Isle of Man based media services group, has acquired Bravecharm, an outdoor advertising company, for a maximum consideration of £2.6m.

Panel rules on Boots/Ward White bid

By Philip Coggan

THE TAKEOVER Panel yesterday allowed a Ward White appeal on a complex issue governing the treatment of convertible preference shares in the Boots bid for the retailer, best known for its Halfords and Payless chains.

Around 40 per cent of Ward White's fully diluted equity is in the form of convertible preference shares and from today, shareholders are entitled to lodge notice of conversion into ordinary shares.

In theory, Boots could have received acceptances from convertible preference shareholders, lodged conversion notices and then counted the ensuing ordinary shares towards its 50.01 per cent target for declaring the bid unconditional.

The executive of the Panel had ruled that Boots could include such shares in its acceptance total. But Ward White appealed, arguing that the ruling would allow Boots' offer to go unconditional well before the closing date, even if Boots had received acceptances from only 37 per cent of each class of equity.

The decision revolved around rule 10 of the Takeover Code which states that "It must be a condition of any offer for voting equity share capital... that the offer will not be declared unconditional as to acceptances unless the

offeror has acquired or agreed to acquire... shares carrying over 50 per cent of the voting rights attributable to the equity share capital and the non-equity share capital combined".

Until January 1988, bidders had been required to take account of "potential equity" which created the possibility that bidders would be expected to obtain shares which were, in practice, not going to be issued. Note 2 to Rule 10 of the Code was then amended to avoid that problem.

However, the amended Note 2 was still far from clear as to the treatment of convertible preference shares.

The issue was complicated by the fact that the conversion period is due to come to an end on September 1, the day before the last close of the Boots bid.

The Panel has decided that Boots will not be allowed to count the convertibles until September 1.

Until midnight on that day, Boots can only declare its offer unconditional if it receives acceptances in respect of 50 per cent of its existing ordinary shares.

However, on the last day of the bid - September 2 - Boots can include those convertible preference shares where conversion notices have been lodged.

ECC raising \$400m in US preference issue

By Clare Pearson

ENGLISH CHINA Clays, the industrial minerals and construction group, is following in the footsteps of BET and Rank Organisation to become the third UK company to announce an issue of preference shares in the US domestic market.

The issue of up to \$400m (£242m) of dollar-denominated preference shares - of which \$200m is to be launched initially - requires, as a new class of shares, the approval of ECC's shareholders. But the

shares carry extremely limited voting rights and are not dilutive.

The issue is designed to strengthen ECC's balance sheet by reducing gearing; the company said it would be down to about 10-15 per cent by the year-end. It also fits in with ECC's policy of financing assets in the US, where about 10 per cent of its operating profits are generated, in dollars.

The dividend payments are to be reset at 28-day intervals by an auction process, determined by prevailing US interest rates. But ECC has the option to set the payments for longer periods if market conditions are favourable.

Mr Bob Carlton-Porter, finance director, said while the cost of servicing the issue was currently about one percentage point greater, in after-tax terms, than a US commercial paper programme would have

been, ECC felt this was outweighed by the other advantages.

The proceeds will initially be used to repay some existing debt, including some \$160m outstanding under its existing US commercial paper programme.

BET became the first UK industrial company to announce it was tapping the \$200m US market for such securities in March of this year.

Kentish homes receivers given the green light

By Clare Pearson

INSTITUTIONS THAT provided loans for two big east London residential developments by Kentish Property Group, the beleaguered builder, have given the go ahead to the receivers to continue constructing the homes.

The decisions to support further building provides hope that the 250 buyers, who put down deposits will be able to move in to their homes.

The developments are at Burrell's Wharf on the Isle of Dogs and Bow Quarter in the East End.

Halifax Building Society, which funded Burrell's Wharf, and the syndicate of banks headed by Security Pacific National Bank which financed

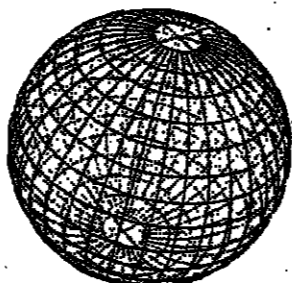
Bow Quarter, both separately appointed receivers from Peat Marwick McLintock.

Halifax said it would provide further finance so "a revised scheme could be completed as a quality development" even if it meant taking provision for a loss on the project.

It was not clear how much further building at the site Halifax envisaged supporting. Mr Tony Richmond, the receiver, said Kentish had already drawn on Halifax's £25m loan facility in full.

He said about a further £25m would have been required to complete the development.

On Monday, Kentish failed to persuade the High Court to appoint an administrator to run its affairs.



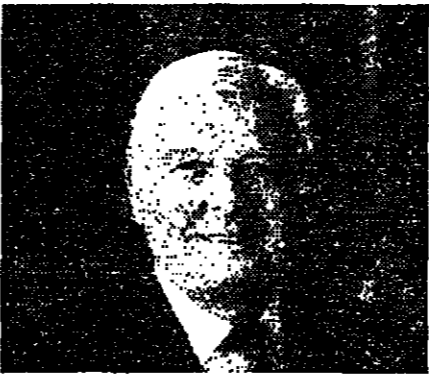
TI GROUP

Half year to 30 June, 1989

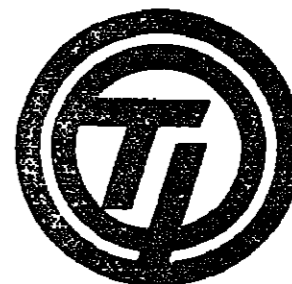
Pre-tax Profit	£49.2M	UP 23%
Earnings Per Share	22.2p	UP 23%
Interim Dividend	5.75p	UP 21%

STRONG ALL-ROUND PERFORMANCE

"The quality of TI's operating management and the strength of our business portfolio with its market, industry and geographic balance are reflected in the performance in the first half of 1989 which shows strong, continuing growth."



Christopher Lewinton, Chairman



For a copy of the Interim Statement please write to:- Department of Public Affairs, TI Group plc, 50 Curzon Street, London W1Y 7PN.

The contents of this advertisement, for which the directors of TI Group plc are solely responsible, have been approved for the purposes of Section 57 of The Financial Services Act 1986 by Price Waterhouse as authorised persons.

GLOBAL GOVERNMENT PLUS FUND LIMITED

INTERNATIONAL DEPOSITARY RECEIPTS
ISSUED BY
MORGAN GUARANTY TRUST COMPANY OF NEW YORK
BRUSSELS OFFICE
AND REPRESENTING 100 COMMON SHARES

The Board of Directors of Global Government Plus Fund Limited has authorized an offer to purchase up to 25% of the Company's issued and outstanding common shares (the "offer"). The offer has been made by the Company to all registered holders of its common shares in accordance with the terms of the Company's by-laws. Under the terms and conditions of the offer, a shareholder wishing to accept the offer shall be required to tender all of his shares. The purchase price payable for each common share tendered and accepted by the Company for payment will be the net asset value of the Company on September 18th, 1989 divided by the total number of issued and outstanding common shares.

The offer will be made conditional upon, among other things, the Company's ability to liquidate its portfolio securities in an orderly manner and consistent with the Company's investment policies and objectives in order to finance the purchase of the shares. If more than 25% of the issued and outstanding shares are validly tendered under the offer, the Company will purchase only 25% of the shares on a pro rata basis (disproportionate fractions) in accordance with the number of shares tendered by each shareholder.

IDR-holders who wish to participate should specify that when:

1) deliver the IDRs with coupon number 15 attached, to Morgan Guaranty Trust Company of New York at the address indicated below, by August 18th, 1989 and

2) send the following to the same address by August 18th, 1989:

2.1 a certification in the form imposed by the Company and available at the address indicated below, completed and signed by the beneficial owner of the IDRs, declaring the owner is tendering all his shares and not less than all for purchase;

2.2 an instruction containing all of the following items:

2.2.1 an indication of the identity of the beneficial owner,

2.2.2 payment instructions for the US \$ proceeds of the purchase,

2.2.3 registration and delivery instructions for shares not purchased by the Company if the Company only purchases shares on a pro rata basis as described above.

Although IDR coupon number 14 will only be payable on October 9th, 1989, IDR-holders accepting the offer will be entitled to this dividend. If the shares are accepted for purchase, a service charge of US \$ 25 due to the Company, an IDR cancellation fee of US \$ 10 per IDR and the expenses incurred by Morgan, Brussels, will be deducted from the proceeds.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
35 Avenue des Arts, 1040 Brussels



The Board of Management of Akzo N.V. announces that on August 3, 1989 the results for the 1st half year 1989 were published. Copies of this report may be obtained from the London Paying Agencies:

Barclays Bank PLC
Stock Exchange Services Department
54 Lombard Street
London EC3P 5AH
and
Midland Bank PLC
International Division
Securities Services Department
110-114 Cannon Street
London EC4N 6AA.

or at the offices of
Akzo N.V.
Velperweg 76
P.O. Box 9300
6800 SB Arnhem
The Netherlands

A summary of the results will be presented in the August 16 issue of this paper.

Arnhem, August 4, 1989

Akzo N.V., the Netherlands

Morgan Grenfell's first class performance.

	Gain in value	Sector quartile
American Growth	42.7%	1st
European Growth	91.1%	1st
International Growth	55.7%	1st
U.K. Equity Income	19.6%	1st

Source: Mitrail, offer to bid, net income reinvested 1.4.88 - 3.7.89.

Consistent returns like this - plus innovations like our range of Index Tracker Trusts; UK Tracker, US Tracker and Japan Tracker and the launch of our PEP Mortgage Scheme have attracted £100m of investment. They have also attracted the Sunday Telegraph's 1988 Smaller Unit Trust Group of the Year award and the PIMS 1989 Fund Management Group of the Year award. The Morgan Grenfell 1989 PEP is now available on our UK Equity Income Trust, UK Equity Index Tracker Trust and Managed Fund.

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The value of these investments may fluctuate and is not guaranteed. Past performance is no guarantee of future returns. Issued by Morgan Grenfell Unit Trust Managers Ltd. Member of LAUTRO, IMRO and the LITA.

UK COMPANY NEWS

Lovell's £20m building materials move

By Philip Coggan

THE INVESTOR group which last February acquired a 76.6 per cent stake in G F Lovell, the confectionery manufacturer, yesterday made its first major move with the acquisition of four building materials companies for £20m.

The purchases, financed with a 19-for-six rights issue, will involve Lovell stepping down from the main market to the USM, since one of the companies being purchased has only a three year track record. Three former Tarmac executives, Mr Peter Woodman, Mr Robert Taylor and Mr Andrew Mackenzie led the investor group, backed by the merchant bank Leazard Brothers and Mr Robert Morton, the chairman and chief executive of Visteo.

The group acquired the 76.6 per cent stake at 110p per share and Lovell shares have since leapt to 530p, at which level they were suspended yesterday.

Mr Woodman, executive chairman, said yesterday that the group intended to expand, via acquisition, in niche areas of the building materials sector.

The companies currently being acquired include two which are part of the private interests of the directors and one which was a Tarmac subsidiary.

Transplastix manufacturers glazing systems and rooflights, largely for industrial and commercial projects. It made operating profits of £1m on turnover of £10.35m in the year to March 31 1989. Lovell is paying an initial £5.7m, and assuming obligations of £2.4m, with further potential deferred consideration of up to £4.1m.

Natural Stone Products, currently a division of Tarmac, quarries, processes and dresses stone, largely for the external and internal cladding of buildings. It made operating profits



Peter Woodman: no plans to sell confectionery interests

of £498,000 on turnover of £3.05m in 1988 and Lovell is paying £3.5m. Triad Timber Components manufactures timber trusses and achieved operating profits

of £315,000 on turnover of £2.5m in 1988. The consideration is £2.3m. Insuwall, being purchased for £1.7m, provides insulation services to the housing and construction markets. It made operating profits of £215,000 on turnover of £2.13m in 1988.

Under the rights issue, the company will raise £10.7m via the issue of 2.58m shares at 400p each. The investor group will not be taking up any of its rights in the shares, which will be placed in the market.

Mr Woodman said there were no current plans to sell the group's confectionery interests, based in Gwent, and the company was working to make the businesses profitable. A final dividend of 2p per share for the year ending April 1 has been proposed and the board expects to recommend an interim dividend of 2p and a final dividend of 5p for the year to March 31 1990.

T Cowie static as high interest rates bite

By John Thornhill

HIGH INTEREST rates cramped growth at T Cowie, the Sunderland-based motor dealer and finance group, as pre-tax profits advanced only marginally from £10.56m to £10.86m for the six months to June 30.

Turnover rose 27 per cent to £259.68m (£224.89m) and operating profits grew 48 per cent to £26.7m (£18.48m), but interest charges more than doubled at £18m (£8.9m) checked growth at the taxable level.

Mr Tom Cowie, chairman, said he was delighted by organic growth achieved by the group but disappointed at the effects of the interest rates.

The contract hire fleet, which contributes the majority of profits, was expanded from 48,500 to 52,100 vehicles during

the period, and topped £100m in turnover.

In the first six months of the year, Cowie's vehicle sales increased by nearly 29 per cent compared with a national increase of 8 per cent. The company said sales to corporate customers were holding up well but it expected retail sales to dip in the second half.

The bus and coach operations contributed £350,000 to trading profits compared with £75,000 in the comparable period.

Cowie runs 74 buses on six routes in the London Regional Transport area and benefited from the recent public sector transport troubles. "The strikes are a manna from heaven for us," Mr Cowie said. The division also runs a coachfleet

of 53 vehicles.

The interim dividend is unchanged at 1.2p payable from earnings per share only slightly ahead at 6.77p (6.59p).

COMMENT

Purely in operating terms, this was a strong performance from Cowie. The contract hire operations showed good growth; the motor retail division forged ahead encouragingly; the bus and coach operations contributed usefully; and property profits chipped in too. But much to Mr Cowie's frustration the numbers simply did not add up at the pre-tax level. In the short term, excessively high interest rates have crippled Cowie, "robbing" it of an estimated

£3.5m in profits. But all is not despair, for in the longer term current interest rates could even work to Cowie's advantage: three year hire contracts written in today's economic climate will be all the more attractive when interest rates start to fall - the company estimates that on an annualised basis each one per cent cut could add £2.5m to the bottom line.

Cowie continues to play tricks with its tax and the estimated 20 per cent charge for the year will help to protect earnings. Nevertheless, pre-tax profit forecasts just ahead at £26m and a prospective p/s of about 8 do not look too tempting in the current economic climate. When interest rates start falling, however, the story will be quite different.

Harrisons & Crosfield adhesives purchase

By Clara Pearson

HARRISONS & Crosfield is paying \$30m (£12.12m) to buy Hardman Incorporated and Hardman Industries, a New Jersey-based manufacturer of industrial adhesives, elastomers and sealants.

The acquisition is part of a policy of H&C, where the other interests are in plantations, timber and food, to further expand its adhesives operations which now comprise its biggest division.

Last year, Hardman reported operating income of \$1.4m on sales of \$13m. Mr George Paul, H&C chief executive, said it would extend the company's organic chemicals activities to the US, where it already had a strong organic manufacturing base. There would be scope for dual transfer of technology between Hardman and the existing business.

In 1988, H&C's chemicals operations increased their contribution to operating profits by a third to £50.2m, within a group total of £128.8m.

As part of last year's sweeping reorganisation of the group, they were all brought under the Harrow Chemicals umbrella.

Planning Research

Planning Research & Systems, the information services group which joined the US last December, announced a jump in pre-tax profits from £114,700 to £219,500 for the year to March 31. Turnover was £2.72m against £1.99m for the previous 15 months.

A final 2.5p dividend is proposed. Earnings were 10.4p (2.7p) per share.

GROUP RESULTS (UNAUDITED)	6 MONTHS ENDED 30 JUNE 1989	6 MONTHS ENDED 30 JUNE 1988	YEAR ENDED 31 DEC 1988
	£M	£M	£M
PROFIT BEFORE EXCEPTIONAL CHARGE FOR LDC PROVISIONS AND TAXATION	315	313	693
EXCEPTIONAL CHARGE FOR LDC PROVISIONS	(846)	-	-
(LOSS)/PROFIT BEFORE TAXATION	(531)	313	693
(LOSS)/PROFIT AFTER TAXATION	(379)	182	420
(LOSS)/PROFIT ATTRIBUTABLE TO MEMBERS OF MIDLAND BANK plc	(383)	179	412
(LOSS)/EARNINGS PER SHARE	(49.6)p	23.4p*	53.6p*
DIVIDEND PER SHARE	7.3p	6.8p*	16.4p*

* ADJUSTED FOR 1989 SCRIP ISSUE

Our interim results for the period ended 30th June 1989

● Midland Group made a profit of £315 million in the first six months of 1989 before exceptional provisions and tax. The exceptional charge of £846 million against loans to developing countries (LDCs) results in a pre-tax loss of £531 million.

● Domestic banking business contributed £256 million, against £201 million, an increase of 27%. Forward Trust Group made £25 million compared with £29 million last year.

● Midland Montagu produced £20 million, compared with £110 million, a downturn largely caused by a deterioration in the profitability of the capital and money market activities.

● Exceptional provisions against loans to LDCs increased from 22.6% to 50.4%. The group's capital ratio is now 9.7%, which compares with the internationally agreed minimum of 8%.

"I am glad to report an outstanding performance from UK Banking, within which there was particularly good progress in corporate banking, where we continue to increase our market share.

In Midland Montagu, good progress overall in our client-based business areas was overshadowed by the disappointing performance of the money market and securities operations.

The announcement of the Brady plan gave rise to an immediate worsening of the third world debt problem. However, the increased level of provisions will give us greater flexibility in working down our exposures and our capital ratios remain strong.

We have the resources to keep our strategy on course, and to maintain our high level of investment, both revenue and capital, in people, systems and premises."



MIDLAND GROUP

Midland Bank plc is a member of IMRO and AFB

A full copy of the press release is available from the Secretary, Midland Bank plc, Head Office, Poultry, London EC2P 2BX. Telephone: 01-260 8184

Abbey rises in declining market

ABBEY, the Dublin-based housebuilder and plant hire company, lifted pre-tax profits by just 9 per cent to £18.74m (£18.23m) against £17.18m in the year to April 30. Turnover advanced 21 per cent from £101.12m to £122.12m.

Directors said the result was obtained in a deteriorating market brought about by frequent interest rate rises. In response to the changing conditions they disposed of certain lands which yielded profits of £6.8m. Together with a revaluation of remaining properties the net contribution to profits was £17.4m. The money is being reinvested in building land following a significant fall in land prices.

A final dividend of 4.5p (3.8p) is recommended, making a 6.7p (6p) total. Earnings worked through at 32.66p (30.77p) per share.

Crown Eyeglass sees its profits halved

Crown Eyeglass, the Blackburn-based spectacle manufacturer and retailer, reported profits more than halved in the 12 months to March 31 1989.

On turnover ahead to £2.5m (£1.73m), the pre-tax figure fell from £226,000 to just £111,000. At the same stage last year, analysts were forecasting prof-

its around the £225,000 level.

The outcome was adversely affected by a sharp increase in administrative expenses to £528,000 (£380,000) and in distribution costs to £408,000 (£218,000). Earnings per 5p share fell to 5.2p (9.8p).

Reserves of £267m at Kenmare venture

Kenmare Resources, the USM-quoted Irish group, said yesterday that a consultant's report on its joint-venture mineral sands project in Mozambique showed proven reserves worth £267m at current prices and enough to give a mine life of nine and a half years.

Metallurgical tests were near completion and a full feasibility study on the project, in which Kenmare's partner is the state-owned Geolooski Zavod of Yugoslavia, is expected at the end of September.

Preliminary results for the year to April 80 showed an increased pre-tax loss of £1292,782 (£255,300), against £183,353 last time. The loss per share was 0.76p (0.58p).

Swanyard Studios drops to £87,000

Profits of Swanyard Studios fell from £254,671 to £87,264 pre-tax for 1988 after taking account of an exceptional provision of £86,784.

Since its debut on the Third Market in January 1988, Swanyard has been transformed from a business selling studio time in London to an internationally co-ordinated music, film and management company.

In the current year to date it

has raised £3.56m via a one-for-one rights issue, concluded the purchase of freehold premises in New York, formed three new subsidiaries and purchased further freehold properties in London's Swan Yard.

Turnover totalled £784,718 (£519,933) and earnings emerged at 0.06p (0.28p) per share. The directors intend to unveil interim figures for 1989 in September.

Dull performance from Radiant Metal

Radiant Metal Finishing reported a slight setback in profits for the year to February 28 last. At the pre-tax level they fell from £252,513 to £225,906.

Turnover for the year was £1.89m (£2.44m).

After tax of £34,313 (£38,487) net earnings per 12½p ordinary share came out at 10.93p (£1.69p). The dividend is maintained at a total of 3p with a proposed 3p final.

BCE incurs losses and omits final

The fortunes of BCE Holdings, the USM-quoted manufacturer and distributor of snooker and pool equipment, have taken a further tumble with a pre-tax loss of £356,000 for the year to March 31. The figures, struck after taking account of a £1.23m rise in administration costs to £5.23m, compared with profits of £548,000 last time and £1.1m for 1986-87.

With a loss per share of 0.8p (1.1p earnings), the final dividend is omitted (0.8p) leaving the total at 0.4p (1p).



TRANS-NATAL
Coal Corporation Limited

(Incorporated in the Republic of South Africa Registration No. 63/0/000/08)
REPORT FOR THE TWELVE MONTHS ENDED 30 JUNE 1989

INCOME STATEMENT (£ million)	30 June 1989	30 June 1988
Sales revenue*	1671.9	874.1
Cost of sales	924.8	815.0
Operating income	137.1	59.1
Net financing charges	15.7	14.6
Amortisation	58.8	41.2
Income before taxation	71.4	1.3
Normal taxation	11.4	12.1
Deferred taxation benefits	(6.2)	(2.3)
Income/(loss) after taxation	43.8	(3.3)
Extraordinary income	23.9	(24.4)
Attributable income/(loss)	64.2	(27.7)
Dividends to shareholders	9.9	9.9
Retained income/(loss) for year	54.4	(37.6)
Unappropriated income	99.7	126.5
Distributable reserves	144.1	90.7
Average capital used in issue (£ millions)	79.9	78.6
Earnings per capital unit (cents)	74.4	(4.2)
Dividends per share (cents)	28.8	28.8
Sales turnover (£ millions)	36.2	33.8

*The export component of sales revenue has been restated on an FOB basis.

By order of the board
per pro. GENCOR (PAC) LIMITED
London Secretaries:

11 Belsize
30 By Place
London EC1N 6JA
3 August 1989

London Transfer Secretaries
6 Grosvenor Place
London SW1P 1PL

Copies of the full report are available from the London Office, 30 By Place, London EC1N 6JA.

TECHNOLOGY

Music lovers in the US and Europe have been waiting three years for digital audio tape (Dat), which has promised to revolutionise the home and car audio market. But when Dat tapes and recorders flood high street shops next year, it is doubtful whether they will send consumers diving for their credit cards.

Dat is the next generation of audio tape, which gives excellent sound reproduction because the music is recorded digitally. But high quality is matched by high price.

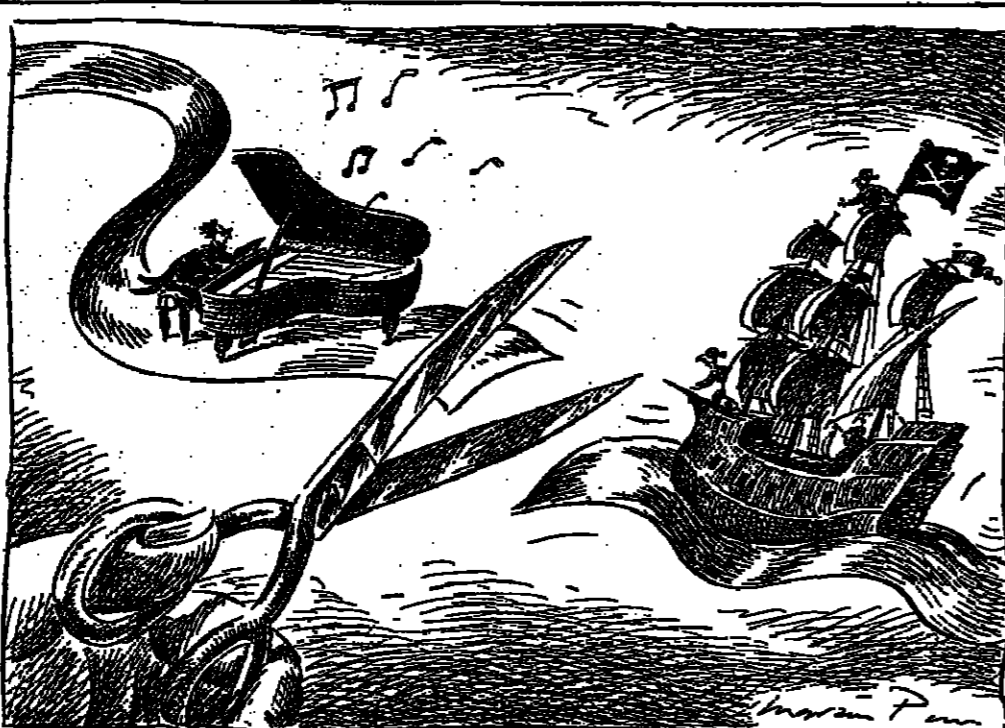
When limited numbers of the machines arrived on the Japanese market two years ago, they cost about £1,000. Even with mass production, the machines - about the size of a personal stereo - are unlikely to drop below £500. That is because the Dat recording machine incorporates a rotating head similar to that of a video recorder - so the price is more likely to track that of video recorders than cassette players.

The specially developed miniature cassettes are also costly to produce as the whole surface of the high quality tape has to be covered with metal particles, all flowing in the same direction, to ensure a perfect recording.

Dat was introduced two years ago in Japan, France and Germany, but only about 70,000 Dat players have been sold. Manufacturers, such as Sony, describe the take-up as disappointing. But it is difficult to gauge future popularity from these sales because of the recording industry's resolute refusal up to now to issue music in the Dat format.

There are also fears that Dat has missed its market opportunity, and that newer technologies have captured the consumer imagination. The music industry boycotted the technology because it feared that Dat would mean an explosive growth in pirate recordings by allowing endless near-perfect copies to be made. So far Dat tapes have been used largely for copying existing media - records, or compact discs (CDs) - but only small quantities of pre-recorded Dats have not been available.

Central to the recording industry's case against Dat is the complaint that pirating of music is already rife, depriving both the music companies and musicians of income. In European Community countries, for example, 465m units of pre-recorded music are sold each year - that is, records, pre-recorded cassettes and compact



Why the pirates will strike a wrong note

Della Bradshaw considers a milestone agreement on the marketing of digital audio tape

discs - according to the International Federation of Phonogram and Videogram Producers (IFPI). But 380m blank cassette tapes are also sold - and used largely for rerecording.

Last week, after years of wrangling, the way to widespread availability of Dat players and tapes was finally cleared when the consumer electronics manufacturers and recording companies agreed a technical procedure which will prevent unauthorised copying. The accord is a milestone in relationships between the two sides which fought bitterly in the past over the introduction of audio cassettes and CDs. The new mood is attributable to two factors:

● The growing common shareholder interests of the two groups: Sony of Japan and Philips of the Netherlands now own two of the world's biggest music companies, CBS Records and Polygram.

● The recording companies' fear of emerging technologies such as erasable and recordable CDs, which should be on

the market in the early 1990s.

The agreement last week is seen as a precedent for the future of all recordable digital media as much as for Dat. Recordable CDs, for example, could pose all the same pirating problems as Dat. Like Dat, they are digital, which means that for every sound element that is copied there is only one "right answer", so the music is copied exactly every time.

Each time an old-technology analogue tape is copied, the sound quality deteriorates. Now talks are to begin on a similar restrictive technique for preventing the copying of music on to recordable CDs. Digital technology, which sparked the original dispute over Dat, has also provided the solution. Last week's meeting agreed to incorporate a piece of digital coding into recordings which will prevent illicit copying. The idea was pioneered by Philips. Other information as well as music is stored on digital recordings - where each track begins, for example. Alongside that will now be encoded a message saying the

recording is digital and should not be copied. So, when a would-be pirate tries to copy from one Dat to another, the machine will refuse to obey.

This sub-code, called the serial copy management system, will also be included in prerecorded CDs. That will mean that music from a CD can be re-recorded on to a Dat, but the spilling code will be copied too. So if the listener tries to copy from that Dat to another, the code will prevent it.

The industry agreement will allow the first copying - from the CD to the Dat - because it is deemed acceptable for consumers to buy a compact disc for use in the home and then copy the music on to a Dat to enjoy in the car.

Even though an agreement has now been reached on Dat, it is feared the years of wrangling may have damaged it in the marketplace. Three years ago it seemed an attractive technology. Today, with the prospect of recordable compact discs in the early 1990s, it looks less attractive.

But the continued talks between the two sides are an acknowledgement by the recording industry that the future will be digital. Analysts, such as BIS MacKintosh, predict the market for digital players and media - CDs and Dats - will really take off in 1990. By 1995, BIS predicts, 45 per cent of music players in Japan, 28 per cent in the US and 12 per cent in Europe, will be digital, and 125m digital discs or cassettes will be sold worldwide.

But will the future be for recordable CDs or Dats? The long-awaited CD recorder-players could be hit by the same price barrier as Dat machines. On existing compact disc players the most expensive component is the laser reader: with machines that record as well as play, two will be needed.

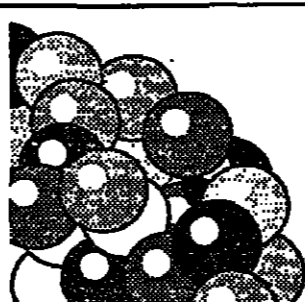
Proponents of Dat argue that although CDs have excellent music reproduction when the player is static, when they are used in cars or as portable units the quality deteriorates. Dat, on the other hand, still incorporates all the inherent problems of audio tape: it can stretch and has to be wound through to find the correct track.

Mark Knight of the IFPI believes there will be a role for both. "The Dat will supplant the analogue tape just as the compact disc is supplanting vinyl records," he says. But he acknowledges that there is a substantial consumer barrier to overcome with Dats which the CD has already broken.

The manufacturers also accept that it is likely to be five years before Dat really takes off, and even then it could be restricted by price to the professional music listener.

It could still be some time before Dat players are widely available, especially in the UK. Because of the copyright laws in Britain, it is illegal (although in practice widespread) for consumers to make unauthorised duplicates of copyright material. For that reason Japanese Dat player manufacturers, such as Fujitsu, NEC, Sanyo, Sharp, Sony and Toshiba, are initially focusing on European countries with less restrictive laws - such as West Germany and France.

Other manufacturers, such as Philips, are waiting until there is a substantial body of recorded Dat material on the market. They will not have Dat players available until 1990, so they are unlikely to be the rich person's stocking-filler this Christmas.



WORTH WATCHING

Edited by Della Bradshaw

Mine Host keeps ahead

BEER drinkers will be the first to recognise the benefits of a machine which produces nitrogen on pub sites. Mixed with carbon dioxide for pulling a pint, nitrogen has long been used by companies such as Guinness to give beer a consistent head.

The nitrogen machine, from the UK gas company Calor, extracts the nitrogen from the air - much easier than the traditional methods of delivering the gas to sites in tanks in liquid or compressed form.

The machine sucks in air and tries to push it through a fibre membrane made of the polymer, polysulfone. The membrane, developed by the US chemicals company, Monsanto, allows the oxygen to go through, but holds back the nitrogen to be collected.

Other applications for the nitrogen maker are in the food industry - increasing the proportions of nitrogen to oxygen in packaging slows food deterioration - and in brewing. Bubbled through the water from which beer is made, nitrogen attracts oxygen and removes it to give a more palatable brew.

UK/Japan tackle age-old problem

JAPANESE pharmaceuticals companies are laying the groundwork for caring for the increased number of old people that will inhabit Japan in the next century.

Fujisawa Pharmaceuticals, of Osaka, is to carry out a long-term joint research and development project with Edinburgh University to find new compounds that may

help the treatment of a variety of psychiatric illnesses, such as senile dementia.

The agreement is one of the first between a British University and a Japanese pharmaceuticals company. In Japan such collaboration for basic research is also new. The first commercially funded university research laboratory was set up at the Science University of Tokyo earlier this year to investigate how to deliver drugs within the body.

The UK research expects to identify new compounds which can be patented and licensed to third parties. Their work will centre on the action of drugs on the central nervous system. Fujisawa will fund research to the tune of £150,000.

Something new under the Sun

ENGINEERS and designers using computer workstations have a new option when buying their high-powered equipment.

Solbourne Computer, the Colorado-based workstation manufacturer, is now selling workstations in Europe which are compatible with those from Sun of California, using the Sun architecture known as Sparc. Solbourne, in which the Japanese firm Matsushita Electric has a majority stake, is one of a number of manufacturers to license the Sparc architecture, but claims to be the first to bring Sparc compatible workstations to the market.

Solbourne claims its machines are 15 per cent to 20 per cent cheaper than Sun equivalents. They are also multi-processing - so a number of workstations can be networked together with a range of processors and other peripherals.

Cleaning up the paint

PAINT makers have been characterised as one of the culprits when it comes to atmospheric pollution. But they are starting to smarten their image.

One example is Union Carbide Chemicals and Plastics, of Connecticut in the US, which has developed a spray paint that, it claims, reduces air pollution. With traditional spray paints the colour resin is mixed with

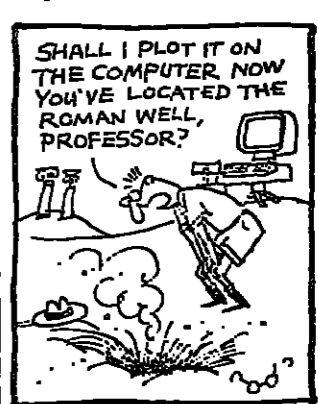
hydro carbon-based solvents, which prevent the paint clogging the equipment. Union Carbide estimates that with every four litres of coatings sprayed by present methods, two kilograms of solvents are released into the air, where they mix with nitrogen to form ozone.

With the new paint, carbon dioxide replaces up to two thirds of the solvents. Although carbon dioxide is the pollutant held largely responsible for the greenhouse effect, the company says the gas used would be collected as a by-product of other industrial processes.

Computer plots the finds

FOUR thousand years of Greek, Roman, Byzantine and Ottoman history are now being reduced to computer bits as well as bits of pottery and artefacts. At Pergamon in Turkey - now called Bergama - a Siemens industrial computer is helping archaeologists map the site.

Previously when surveyors measured the distances between points on the site, using the optical theodolite, they had to record the



measurements by hand. Now the measurements are sent back directly from the instrument to the computer by cable or radio link, where they are converted into co-ordinates and stored. That data is then converted into the maps of the site.

CONTACTS: Calor: UK, 0753 588710. Edinburgh University: UK, 031 687 1011. Solbourne Computer: US, 303 772 3400; UK, 0793 491333. Union Carbide: US, 203 794 3210. Siemens: Germany, 089 2340.

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A FINANCIAL TIMES SURVEY

1st NOVEMBER 1989

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The FT's Graduate Recruitment Survey will be written by the newspaper's unrivalled team of specialist writers with the interests and standpoint of the final year undergraduate deciding which career to follow very much in mind.

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LONDON SHARE SERVICE

AMERICANS - Contd

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

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BEERS, WINES & SPIRITS

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573	1000000000000000000000	672	11	15.0	23	18
574	1000000000000000000000	673	11	15.0	23	18
575	1000000000000000000000	674	11	15.0	23	18
576	1000000000000000000000	675	11	15.0	23	18
577	1000000000000000000000	676	11	15.0	23	18
578	1000000000000000000000	677	11	15.0	23	18
579	1000000000000000000000	678	11	15.0	23	18
580	1000000000000000000000	679	11	15.0	23	18
581	1000000000000000000000	680	11	15.0	23	18
582	1000000000000000000000	681	11	15.0	23	18
583	1000000000000000000000	682	11	15.0	23	18
584	1000000000000000000000	683	11	15.0	23	18
585	1000000000000000000000	684	11	15.0	23	18
586	1000000000000000000000	685	11	15.0	23	18
587	1000000000000000000000	686	11	15.0	23	18
588	1000000000000000000000	687	11	15.0	23	18
589	1000000000000000000000	688	11	15.0	23	18
590	1000000000000000000000	689	11	15.0	23	18
591	1000000000000000000000	690	11	15.0	23	18
592	1000000000000000000000	691	11	15.0	23	18
593	1000000000000000000000	692	11	15.0	23	18
594	1000000000000000000000	693	11	15.0	23	18
595	1000000000000000000000	694	11	15.0	23	18
596	1000000000000000000000	695	11	15.0	23	18
597	1000000000000000000000	696	11	15.0	23	18
598	1000000000000000000000	697	11	15.0	23	18
599	1000000000000000000000	698	11	15.0	23	18
600	1000000000000000000000	699	11	15.0	23	18
601	1000000000000000000000	700	11	15.0	23	18
602	1000000000000000000000	701	11	15.0	23	18
603	1000000000000000000000	702	11	15.0	23	18
604	1000000000000000000000	703	11	15.0	23	18
605	1000000000000000000000	704	11	15.0	23	18
606	1000000000000000000000	705	11	15.0	23	18
607	1000000000000000000000	706	11	15.0	23	18
608	1000000000000000000000	707	11	15.0	23	18
609	1000000000000000000000	708	11	15.0	23	18
610	1000000000000000000000	709	11	15.0	23	18
611	1000000000000000000000	710	11	15.0	23	18
612	1000000000000000000000	711	11	15.0	23	18
613	1000000000000000000000	712	11	15.0	23	18
614	1000000000000000000000	713	11	15.0	23	18
615	1000000000000000000000	714	11	15.0	23	18
616	1000000000000000000000	715	11	15.0	23	18
617	1000000000000000000000	716	11	15.0	23	18
618	1000000000000000000000	717	11	15.0	23	18
619	1000000000000000000000	718	11	15.0	23	18
620	1000000000000000000000	719	11	15.0	23	18
621	1000000000000000000000	720	11	15.0	23	18
622	1000000000000000000000	721	11	15.0	23	18
623	1000000000000000000000	722	11	15.0	23	18
624	1000000000000000000000	723	11	15.0	23	18
625	1000000000000000000000	724	11	15.0	23	18
626	1000000000000000000000	725	11	15.0	23	18
627	1000000000000000000000	726	11	15.0	23	18
628	1000000000000000000000	727	11	15.0	23	18
629	1000000000000000000000	728	11	15.0	23	18
630	1000000000000000000000	729	11	15.0	23	18
631	1000000000000000000000	730	11	15.0	23	18
632	1000000000000000000000	731	11	15.0	23	18
633	1000000000000000000000	732	11	15.0	23	18
634	1000000000000000000000	733	11	15.0	23	18
635	1000000000000000000000	734	11	15.0	23	18
636	1000000000000000000000	735	11	15.0	23	18
637	1000000000000000000000	736	11	15.0	23	18
638	1000000000000000000000	737	11	15.0	23	18
639	1000000000000000000000	738	11	15.0	23	18
640	1000000000000000000000	739	11	15.0	23	18
641	1000000000000000000000	740	11	15.0	23	18
642	1000000000000000000000	741	11	15.0	23	18
643	1000000000000000000000	742	11	15.0	23	18
644	1000000000000000000000	743	11	15.0	23	18
645	1000000000000000000000	744	11	15.0	23	18
646	1000000000000000000000	745	11	15.0	23	18
647	1000000000000000000000	746	11	15.0	23	18
648	1000000000000000000000	747	11	15.0	23	18
649	1000000000000000000000	748	11	15.0	23	18
650	1000000000000000000000	749	11	15.0	23	18
651	1000000000000000000000	750	11	15.0	23	18
652	1000000000000000000000	751	11	15.0	23	18
653	1000000000000000000000	752	11	15.0	23	18
654	1000000000000000000000	753	11	15.0	23	18
655	1000000000000000000000	754	11	15.0	23	18
656	1000000000000000000000	755	11	15.0	23	18
657	1000000000000000000000	756	11	15.0	23	18
658	1000000000000000000000	757	11	15.0	23	18
659	1000000000000000000000	758	11	15.0	23	18
660	1000000000000000000000	759	11	15.0	23	18
661	1000000000000000000000	760	11	15.0	23	18
662	1000000000000000000000	761	11	15.0	23	18
663	1000000000000000000000	762	11	15.0	23	18
664	1000000000000000000000	763	11	15.0	23	18
665	1000000000000000000000	764	11	15.0	23	18
666	1000000000000000000000	765	11	15.0	23	18
667	1000000000000000000000	766	11	15.0	23	18
668	1000000000000000000000	767	11	15.0	23	18
669	1000000000000000000000	768	11	15.0	23	18
670	1000000000000000000000	769	11	15.0	23	18
671	1000000000000000000000	770	11	15.0	23	18
672	1000000000000000000000	771	11	15.0	23	18
673	1000000000000000000000	772	11	15.0	23	18
674	1000000000000000000000	773	11	15.0	23	18
675	1000000000000000000000	774	11	15.0	23	18
676	1000000000000000000000	775	11	15.0	23	18
677	1000000000000000000000	776	11	15.0	23	18
678	1000000000000000000000	777	11	15.0	23	18
679	1000000000000000000000	778	11	15.0	23	18
680	1000000000000000000000	779	11	15.0	23	18
681	1000000000000000000000	780	11	15.0	23	18
682	1000000000000000000000	781	11	15.0	23	18
683	1000000000000000000000	782	11	15.0	23	18
684	1000000000000000000000	783	11	15.0	23	18
685	10					

BUILDING. TIMBER. ROADS.

534	3294 MEC 50	1	496	17.0	2.4	5.0
535	6745 6745 Gen Co Pl	1	496	4.4	4.7	7.0
536	10898555	1	511	1.3	2.8	5.1
537	10898555	1	511	1.3	2.8	5.1
538	10898555	1	511	1.3	2.8	5.1
539	10898555	1	511	1.3	2.8	5.1
540	10898555	1	511	1.3	2.8	5.1
541	10898555	1	511	1.3	2.8	5.1
542	10898555	1	511	1.3	2.8	5.1
543	10898555	1	511	1.3	2.8	5.1
544	10898555	1	511	1.3	2.8	5.1
545	10898555	1	511	1.3	2.8	5.1
546	10898555	1	511	1.3	2.8	5.1
547	10898555	1	511	1.3	2.8	5.1
548	10898555	1	511	1.3	2.8	5.1
549	10898555	1	511	1.3	2.8	5.1
550	10898555	1	511	1.3	2.8	5.1
551	10898555	1	511	1.3	2.8	5.1
552	10898555	1	511	1.3	2.8	5.1
553	10898555	1	511	1.3	2.8	5.1
554	10898555	1	511	1.3	2.8	5.1
555	10898555	1	511	1.3	2.8	5.1
556	10898555	1	511	1.3	2.8	5.1
557	10898555	1	511	1.3	2.8	5.1
558	10898555	1	511	1.3	2.8	5.1
559	10898555	1	511	1.3	2.8	5.1
560	10898555	1	511	1.3	2.8	5.1
561	10898555	1	511	1.3	2.8	5.1
562	10898555	1	511	1.3	2.8	5.1
563	10898555	1	511	1.3	2.8	5.1
564	10898555	1	511	1.3	2.8	5.1
565	10898555	1	511	1.3	2.8	5.1
566	10898555	1	511	1.3	2.8	5.1
567	10898555	1	511	1.3	2.8	5.1
568	10898555	1	511	1.3	2.8	5.1
569	10898555	1	511	1.3	2.8	5.1
570	10898555	1	511	1.3	2.8	5.1
571	10898555	1	511	1.3	2.8	5.1

BUILDING, TIMBER, ROADS -

[illegible]

159	121	Lawrence (W.).....B	136	75	3.
160	127	Do 8.5pc Cm RDP EL	145	8 1/2 %	-

[illegible]

CHEMICALS. PLASTICS

6545	1602	Alkan Fls.	6423	+10	137%	3.0	5.0		
6546	280	Alfa Holdings	6424	+10	137%	3.0	5.0		
6547	119	Altell Collins Inc.	6425	-10	137%	3.0	5.0		
6548	172	Altell Collins Inc.	6426	-10	137%	3.0	5.0		
6549	119	Altell Collins Inc.	6427	-10	137%	3.0	5.0		
6550	119	Altell Collins Inc.	6428	-10	137%	3.0	5.0		
6551	119	Altell Collins Inc.	6429	-10	137%	3.0	5.0		
6552	119	Altell Collins Inc.	6430	-10	137%	3.0	5.0		
6553	119	Altell Collins Inc.	6431	-10	137%	3.0	5.0		
6554	119	Altell Collins Inc.	6432	-10	137%	3.0	5.0		
6555	119	Altell Collins Inc.	6433	-10	137%	3.0	5.0		
6556	119	Altell Collins Inc.	6434	-10	137%	3.0	5.0		
6557	119	Altell Collins Inc.	6435	-10	137%	3.0	5.0		
6558	119	Altell Collins Inc.	6436	-10	137%	3.0	5.0		
6559	119	Altell Collins Inc.	6437	-10	137%	3.0	5.0		
6560	119	Altell Collins Inc.	6438	-10	137%	3.0	5.0		
6561	119	Altell Collins Inc.	6439	-10	137%	3.0	5.0		
6562	119	Altell Collins Inc.	6440	-10	137%	3.0	5.0		
6563	119	Altell Collins Inc.	6441	-10	137%	3.0	5.0		
6564	119	Altell Collins Inc.	6442	-10	137%	3.0	5.0		
6565	119	Altell Collins Inc.	6443	-10	137%	3.0	5.0		
6566	119	Altell Collins Inc.	6444	-10	137%	3.0	5.0		
6567	119	Altell Collins Inc.	6445	-10	137%	3.0	5.0		
6568	119	Altell Collins Inc.	6446	-10	137%	3.0	5.0		
6569	119	Altell Collins Inc.	6447	-10	137%	3.0	5.0		
6570	119	Altell Collins Inc.	6448	-10	137%	3.0	5.0		
6571	119	Altell Collins Inc.	6449	-10	137%	3.0	5.0		
6572	119	Altell Collins Inc.	6450	-10	137%	3.0	5.0		
6573	119	Altell Collins Inc.	6451	-10	137%	3.0	5.0		
6574	119	Altell Collins Inc.	6452	-10	137%	3.0	5.0		
6575	119	Altell Collins Inc.	6453	-10	137%	3.0	5.0		
6576	119	Altell Collins Inc.	6454	-10	137%	3.0	5.0		
6577	119	Altell Collins Inc.	6455	-10	137%	3.0	5.0		
6578	119	Altell Collins Inc.	6456	-10	137%	3.0	5.0		
6579	119	Altell Collins Inc.	6457	-10	137%	3.0	5.0		
6580	119	Altell Collins Inc.	6458	-10	137%	3.0	5.0		
6581	119	Altell Collins Inc.	6459	-10	137%	3.0	5.0		
6582	119	Altell Collins Inc.	6460	-10	137%	3.0	5.0		
6583	119	Altell Collins Inc.	6461	-10	137%	3.0	5.0		
6584	119	Altell Collins Inc.	6462	-10	137%	3.0	5.0		
6585	119	Altell Collins Inc.	6463	-10	137%	3.0	5.0		
6586	119	Altell Collins Inc.	6464	-10	137%	3.0	5.0		
6587	119	Altell Collins Inc.	6465	-10	137%	3.0	5.0		
6588	119	Altell Collins Inc.	6466	-10	137%	3.0	5.0		
6589	119	Altell Collins Inc.	6467	-10	137%	3.0	5.0		
6590	119	Altell Collins Inc.	6468	-10	137%	3.0	5.0		
6591	119	Altell Collins Inc.	6469	-10	137%	3.0	5.0		
6592	119	Altell Collins Inc.	6470	-10	137%	3.0	5.0		
6593	119	Altell Collins Inc.	6471	-10	137%	3.0	5.0		
6594	119	Altell Collins Inc.	6472	-10	137%	3.0	5.0		
6595	119	Altell Collins Inc.	6473	-10	137%	3.0	5.0		
6596	119	Altell Collins Inc.	6474	-10	137%	3.0	5.0		
6597	119	Altell Collins Inc.	6475	-10	137%	3.0	5.0		
6598	119	Altell Collins Inc.	6476	-10	137%	3.0	5.0		
6599	119	Altell Collins Inc.	6477	-10	137%	3.0	5.0		
6600	119	Altell Collins Inc.	6478	-10	137%	3.0	5.0		
6601	119	Altell Collins Inc.	6479	-10	137%	3.0	5.0		
6602	119	Altell Collins Inc.	6480	-10	137%	3.0	5.0		
6603	119	Altell Collins Inc.	6481	-10	137%	3.0	5.0		
6604	119	Altell Collins Inc.	6482	-10	137%	3.0	5.0		
6605	119	Altell Collins Inc.	6483	-10	137%	3.0	5.0		
6606	119	Altell Collins Inc.	6484	-10	137%	3.0	5.0		
6607	119	Altell Collins Inc.	6485	-10	137%	3.0	5.0		
6608	119	Altell Collins Inc.	6486	-10	137%	3.0	5.0		
6609	119	Altell Collins Inc.	6487	-10	137%	3.0	5.0		
6610	119	Altell Collins Inc.	6488	-10	137%	3.0	5.0		
6611	119	Altell Collins Inc.	6489	-10	137%	3.0	5.0		
6612	119	Altell Collins Inc.	6490	-10	137%	3.0	5.0		
6613	119	Altell Collins Inc.	6491	-10	137%	3.0	5.0		
6614	119	Altell Collins Inc.	6492	-10	137%	3.0	5.0		
6615	119	Altell Collins Inc.	6493	-10	137%	3.0	5.0		
6616	119	Altell Collins Inc.	6494	-10	137%	3.0	5.0		
6617	119	Altell Collins Inc.	6495	-10	137%	3.0	5.0		
6618	119	Altell Collins Inc.	6496	-10	137%	3.0	5.0		
6619	119	Altell Collins Inc.	6497	-10	137%	3.0	5.0		
6620	119	Altell Collins Inc.	6498	-10	137%	3.0	5.0		
6621	119	Altell Collins Inc.	6499	-10	137%	3.0	5.0		
6622	119	Altell Collins Inc.	6500	-10	137%	3.0	5.0		
6623	119	Altell Collins Inc.	6501	-10	137%	3.0	5.0		
6624	119	Altell Collins Inc.	6502	-10	137%	3.0	5.0		
6625	119	Altell Collins Inc.	6503	-10	137%	3.0	5.0		
6626	119	Altell Collins Inc.	6504	-10	137%	3.0	5.0		
6627	119	Altell Collins Inc.	6505	-10	137%	3.0	5.0		
6628	119	Altell Collins Inc.	6506	-10	137%	3.0	5.0		
6629	119	Altell Collins Inc.	6507	-10	137%	3.0	5.0		
6630	119	Altell Collins Inc.	6508	-10	137%	3.0	5.0		
6631	119	Altell Collins Inc.	6509	-10	137%	3.0	5.0		
6632	119	Altell Collins Inc.	6510	-10	137%	3.0	5.0		
6633	119	Altell Collins Inc.	6511	-10	137%	3.0	5.0		
6634	119	Altell Collins Inc.	6512	-10	137%	3.0	5.0		
6635	119	Altell Collins Inc.	6513	-10	137%	3.0	5.0		
6636	119	Altell Collins Inc.	6514	-10	137%	3.0	5.0		
6637	119	Altell Collins Inc.	6515	-10	137%	3.0	5.0		
6638	119	Altell Collins Inc.	6516	-10	137%	3.0	5.0		
6639	119	Altell Collins Inc.	6517	-10	137%	3.0	5.0		
6640	119	Altell Collins Inc.	6518	-10	137%	3.0	5.0		
6641	119	Altell Collins Inc.	6519	-10	137%	3.0	5.0		
6642	119	Altell Collins Inc.	6520	-10	137%	3.0	5.0		
6643	119	Altell Collins Inc.	6521	-10	137%	3.0	5.0		
6644	119	Altell Collins Inc.	6522	-10	137%	3.0	5.0		
6645	119	Altell Collins Inc.	6523	-10	137%	3.0	5.0		
6646	119	Altell Collins Inc.	6524	-10	137%	3.0	5.0		
6647	119	Altell Collins Inc.	6525	-10	137%	3.0	5.0		
6648	119	Altell Collins Inc.	6526	-10	137%	3.0	5.0		
6649	119	Altell Collins Inc.	6527	-10	137%	3.0	5.0		
6650	119	Altell Collins Inc.	6528	-10	137%	3.0	5.0		
6651	119	Altell Collins Inc.	6529	-10	137%	3.0	5.0		
6652	119	Altell Collins Inc.	6530	-10	137%	3.0	5.0		
6653	119	Altell Collins Inc.	6531	-10	137%	3.0	5.0		
6654	119	Altell Collins Inc.	6532	-10	137%	3.0	5.0		
6655	119	Altell Collins Inc.	6533	-10	137%	3.0	5.0		
6656	119	Altell Collins Inc.	6534	-10	137%	3.0	5.0		
6657	119	Altell Collins Inc.	6535	-10	137%	3.0	5.0		
6658	119	Altell Collins Inc.	6536	-10	137%	3.0	5.0		
6659	119	Altell Collins Inc.	6537	-10	137%	3.0	5.0		
6660	119	Altell Collins Inc.	6538	-10	137%	3.0	5.0		
6661	119	Altell Collins Inc.	6539	-10	137%	3.0	5.0		
6662	119	Altell Collins Inc.	6540	-10	137%	3.0	5.0		
6663	119	Altell Collins Inc.	6541	-10	137%	3.0	5.0		
6664	119	Altell Collins Inc.	6542	-10	137%	3.0	5.0		
6665	119	Altell Collins Inc.	6543	-10	137%	3.0	5.0		
6666	119	Altell Collins Inc.	6544	-10	137%	3.0	5.0		
6667	119	Altell Collins Inc.	6545	-10	137%	3.0	5.0		
6668	119	Altell Collins Inc.	6546	-10	137%	3.0	5.0		
6669	119	Altell Collins Inc.	6547	-10	137%	3.0	5.0		
6670	119	Altell Collins Inc.	6548	-10	137%	3.0	5.0		
6671	119	Altell Collins Inc.	6549	-10	137%	3.0	5.0		
6672	119	Altell Collins Inc.	6550	-10	137%	3.0	5.0		
6673	119	Altell Collins Inc.	6551	-10	137%	3.0	5.0		
6674	119	Altell Collins Inc.	6552	-10	137%	3.0	5.0		
6675	119	Altell Collins Inc.	6553	-10	137%	3.0	5.0		
6676	119	Altell Collins Inc.	6554	-10	137%	3.0	5.0		
6677	119	Altell Collins Inc.	6555	-10	137%	3.0	5.0		
6678	119	Altell Collins Inc.	6556	-10	137%	3.0	5.0		
6679	119	Altell Collins Inc.	6557	-10	137%	3.0	5.0		
6680	119	Altell Collins Inc.	6558	-10	137%	3.0	5.0		
6681	119	Altell Collins Inc.	6559	-10	137%	3.0	5.0		
6682	119	Altell Collins Inc.	6560	-10	137%	3.0	5.0		
6683	119	Altell Collins Inc.	6561	-10	137%	3.0	5.0		
6684	119	Altell Collins Inc.	6562	-10	137%	3.0	5.0		
6685	119	Altell Collins Inc.	6563	-10	137%	3.0	5.0		
6686	119	Altell Collins Inc.	6564	-10	137%	3.0	5.0		
6687	119	Altell Collins Inc.	6565	-10	137%	3.0	5.0		
6688	119	Altell Collins Inc.	6566	-10	137%	3.0	5.0		
6689	119	Altell Collins Inc.	6567	-10	137%	3.0	5.0		
6690	119	Altell Collins Inc.	6568	-10	137%	3.0	5.0		
6691	119	Altell Collins Inc.	6569	-10	137%	3.0	5.0		
6692	119	Altell Collins Inc.	6570	-10	137%	3.0	5.0		
6693	119	Altell Collins Inc.	6571	-10	137%	3.0	5.0		
6694	119	Altell Collins Inc.	6572	-10	137%	3.0	5.0		
6695	119	Altell Collins Inc.	6573	-10	137%	3.0	5.0		
6696	119	Altell Collins Inc.	6574	-10	137%	3.0	5.0		
6697	119	Altell Collins Inc.	6575	-10	137%	3.0	5.0		
6698	119	Altell Collins Inc.	6576	-10	137%	3.0	5.0		
6699	119	Altell Collins Inc.	6577	-10	137%	3.0	5.0		
6700	119	Altell Collins Inc.	6578	-10	137%	3.0	5.0		
6701	119	Altell Collins Inc.	6579	-10	137%	3.0	5.0		
6702	119	Altell Collins Inc.	6580	-10	137%	3.0	5.0		
6703	119	Altell Collins Inc.	6581	-10	137%	3.0</			

DRAPERY AND STORES

185	140	Paul Sp. v	175	12.5	2.4	1.9	2.1	1.9	2.1
186	141	Alston Sp. v	176	12.5	2.4	1.9	2.1	1.9	2.1
187	142	Alston Sp. v	177	12.5	2.4	1.9	2.1	1.9	2.1
188	143	Alston Sp. v	178	12.5	2.4	1.9	2.1	1.9	2.1
189	144	Alston Sp. v	179	12.5	2.4	1.9	2.1	1.9	2.1
190	145	Alston Sp. v	180	12.5	2.4	1.9	2.1	1.9	2.1
191	146	Alston Sp. v	181	12.5	2.4	1.9	2.1	1.9	2.1
192	147	Alston Sp. v	182	12.5	2.4	1.9	2.1	1.9	2.1
193	148	Alston Sp. v	183	12.5	2.4	1.9	2.1	1.9	2.1
194	149	Alston Sp. v	184	12.5	2.4	1.9	2.1	1.9	2.1
195	150	Alston Sp. v	185	12.5	2.4	1.9	2.1	1.9	2.1
196	151	Alston Sp. v	186	12.5	2.4	1.9	2.1	1.9	2.1
197	152	Alston Sp. v	187	12.5	2.4	1.9	2.1	1.9	2.1
198	153	Alston Sp. v	188	12.5	2.4	1.9	2.1	1.9	2.1
199	154	Alston Sp. v	189	12.5	2.4	1.9	2.1	1.9	2.1
200	155	Alston Sp. v	190	12.5	2.4	1.9	2.1	1.9	2.1
201	156	Alston Sp. v	191	12.5	2.4	1.9	2.1	1.9	2.1
202	157	Alston Sp. v	192	12.5	2.4	1.9	2.1	1.9	2.1
203	158	Alston Sp. v	193	12.5	2.4	1.9	2.1	1.9	2.1
204	159	Alston Sp. v	194	12.5	2.4	1.9	2.1	1.9	2.1
205	160	Alston Sp. v	195	12.5	2.4	1.9	2.1	1.9	2.1
206	161	Alston Sp. v	196	12.5	2.4	1.9	2.1	1.9	2.1
207	162	Alston Sp. v	197	12.5	2.4	1.9	2.1	1.9	2.1
208	163	Alston Sp. v	198	12.5	2.4	1.9	2.1	1.9	2.1
209	164	Alston Sp. v	199	12.5	2.4	1.9	2.1	1.9	2.1
210	165	Alston Sp. v	200	12.5	2.4	1.9	2.1	1.9	2.1
211	166	Alston Sp. v	201	12.5	2.4	1.9	2.1	1.9	2.1
212	167	Alston Sp. v	202	12.5	2.4	1.9	2.1	1.9	2.1
213	168	Alston Sp. v	203	12.5	2.4	1.9	2.1	1.9	2.1
214	169	Alston Sp. v	204	12.5	2.4	1.9	2.1	1.9	2.1
215	170	Alston Sp. v	205	12.5	2.4	1.9	2.1	1.9	2.1
216	171	Alston Sp. v	206	12.5	2.4	1.9	2.1	1.9	2.1
217	172	Alston Sp. v	207	12.5	2.4	1.9	2.1	1.9	2.1
218	173	Alston Sp. v	208	12.5	2.4	1.9	2.1	1.9	2.1
219	174	Alston Sp. v	209	12.5	2.4	1.9	2.1	1.9	2.1
220	175	Alston Sp. v	210	12.5	2.4	1.9	2.1	1.9	2.1
221	176	Alston Sp. v	211	12.5	2.4	1.9	2.1	1.9	2.1
222	177	Alston Sp. v	212	12.5	2.4	1.9	2.1	1.9	2.1
223	178	Alston Sp. v	213	12.5	2.4	1.9	2.1	1.9	2.1
224	179	Alston Sp. v	214	12.5	2.4	1.9	2.1	1.9	2.1
225	180	Alston Sp. v	215	12.5	2.4	1.9	2.1	1.9	2.1
226	181	Alston Sp. v	216	12.5	2.4	1.9	2.1	1.9	2.1
227	182	Alston Sp. v	217	12.5	2.4	1.9	2.1	1.9	2.1
228	183	Alston Sp. v	218	12.5	2.4	1.9	2.1	1.9	2.1
229	184	Alston Sp. v	219	12.5	2.4	1.9	2.1	1.9	2.1
230	185	Alston Sp. v	220	12					

DRAPERY AND STORES—Contd[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

29 Robinson	28	-1	0.75	1.9
60 Harkness	79	...	3.33	1.5
20 Howard	160	+3	4.4	...

[illegible]**FOOD, GROCERIES, ETC**[illegible]

HOTELS AND CATERERS

68	1514 Aberdeen St. Sp.	58	1.5	4.3	1
69	456 Auburn St. Sp.	58	12.5	3.4	1
70	1000 1/2 1st St. Sp.	58	1.5	3.4	1
71	2544 1/2 Grand St. Sp.	58	1.5	6.7	1
72	2544 1/2 Grand St. Sp.	58	21	0	1
73	2544 1/2 Grand St. Sp.	58	21	0	1
74	2544 1/2 Grand St. Sp.	58	21	0	1
75	2544 1/2 Grand St. Sp.	58	21	0	1
76	2544 1/2 Grand St. Sp.	58	21	0	1
77	2544 1/2 Grand St. Sp.	58	21	0	1
78	2544 1/2 Grand St. Sp.	58	21	0	1
79	2544 1/2 Grand St. Sp.	58	21	0	1
80	2544 1/2 Grand St. Sp.	58	21	0	1
81	2544 1/2 Grand St. Sp.	58	21	0	1
82	2544 1/2 Grand St. Sp.	58	21	0	1
83	2544 1/2 Grand St. Sp.	58	21	0	1
84	2544 1/2 Grand St. Sp.	58	21	0	1
85	2544 1/2 Grand St. Sp.	58	21	0	1
86	2544 1/2 Grand St. Sp.	58	21	0	1
87	2544 1/2 Grand St. Sp.	58	21	0	1
88	2544 1/2 Grand St. Sp.	58	21	0	1
89	2544 1/2 Grand St. Sp.	58	21	0	1
90	2544 1/2 Grand St. Sp.	58	21	0	1
91	2544 1/2 Grand St. Sp.	58	21	0	1
92	2544 1/2 Grand St. Sp.	58	21	0	1
93	2544 1/2 Grand St. Sp.	58	21	0	1
94	2544 1/2 Grand St. Sp.	58	21	0	1
95	2544 1/2 Grand St. Sp.	58	21	0	1
96	2544 1/2 Grand St. Sp.	58	21	0	1
97	2544 1/2 Grand St. Sp.	58	21	0	1
98	2544 1/2 Grand St. Sp.	58	21	0	1
99	2544 1/2 Grand St. Sp.	58	21	0	1
100	2544 1/2 Grand St. Sp.	58	21	0	1
101	2544 1/2 Grand St. Sp.	58	21	0	1
102	2544 1/2 Grand St. Sp.	58	21	0	1
103	2544 1/2 Grand St. Sp.	58	21	0	1
104	2544 1/2 Grand St. Sp.	58	21	0	1
105	2544 1/2 Grand St. Sp.	58	21	0	1
106	2544 1/2 Grand St. Sp.	58	21	0	1
107	2544 1/2 Grand St. Sp.	58	21	0	1
108	2544 1/2 Grand St. Sp.	58	21	0	1
109	2544 1/2 Grand St. Sp.	58	21	0	1
110	2544 1/2 Grand St. Sp.	58	21	0	1
111	2544 1/2 Grand St. Sp.	58	21	0	1
112	2544 1/2 Grand St. Sp.	58	21	0	1
113	2544 1/2 Grand St. Sp.	58	21	0	1
114	2544 1/2 Grand St. Sp.	58	21	0	1
115	2544 1/2 Grand St. Sp.	58	21	0	1
116	2544 1/2 Grand St. Sp.	58	21	0	1
117	2544 1/2 Grand St. Sp.	58	21	0	1
118	2544 1/2 Grand St. Sp.	58	21	0	1
119	2544 1/2 Grand St. Sp.	58	21	0	1
120	2544 1/2 Grand St. Sp.	58	21	0	1
121	2544 1/2 Grand St. Sp.	58	21	0	1
122	2544 1/2 Grand St. Sp.	58	21	0	1
123	2544 1/2 Grand St. Sp.	58	21	0	1
124	2544 1/2 Grand St. Sp.	58	21	0	1
125	2544 1/2 Grand St. Sp.	58	21	0	1
126	2544 1/2 Grand St. Sp.	58	21	0	1
127	2544 1/2 Grand St. Sp.	58	21	0	1
128	2544 1/2 Grand St. Sp.	58	21	0	1
129	2544 1/2 Grand St. Sp.	58	21	0	1
130	2544 1/2 Grand St. Sp.	58	21	0	1
131	2544 1/2 Grand St. Sp.	58	21	0	1
132	2544 1/2 Grand St. Sp.	58	21	0	1
133	2544 1/2 Grand St. Sp.	58	21	0	1
134	2544 1/2 Grand St. Sp.	58	21	0	1
135	2544 1/2 Grand St. Sp.	58	21	0	1
136	2544 1/2 Grand St. Sp.	58	21	0	1
137	2544 1/2 Grand St. Sp.	58	21	0	1
138	2544 1/2 Grand St. Sp.	58	21	0	1
139	2544 1/2 Grand St. Sp.	58	21	0	1
140	2544 1/2 Grand St. Sp.	58	21	0	1

203	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
204	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
205	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
206	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
207	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
208	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
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213	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
214	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
215	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
216	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
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220	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
221	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
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223	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
224	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
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226	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
227	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
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229	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
230	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
231	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
232	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
233	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
234	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
235	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
236	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
237	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
238	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
239	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
240	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
241	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
242	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
243	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
244	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
245	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
246	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
247	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
248	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
249	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
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252	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
253	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
254	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
255	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
256	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
257	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
258	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
259	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
260	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
261	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
262	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
263	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
264	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
265	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
266	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
267	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
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277	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
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303	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
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326	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
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344	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
345	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
346	17AAAF Ind. 7b. Sp.	208	6.5	4.3	1
347	17AAAF Ind. 7b. Sp.	208	6		

INDUSTRIALS (Miscel.)—Contd

[illegible]

350	249	Bräunliche Fl.	340	+5	6.5	3.9	2.9
302	222	Bräunliche 20p.	251	+1	13.0	1.7	6.9
86	11	Bräunliche 10p.	100	-1	2.6	2.1	1.8

[illegible]

*605	445	Crean U.I.	603	-2	0
*470	198	*Creighton Labs 20p y	280	+2	

[illegible]

98	54	Hutch Wimp HRCs	67	+2
46	31	Hyman 5p	33	+1
144	2	ISA International Sp	144	

297	2299191	1	387	42	1	1	1
298	2299192	1	387	42	1	1	1
299	2299193	1	387	42	1	1	1
300	2299194	1	387	42	1	1	1
301	2299195	1	387	42	1	1	1
302	2299196	1	387	42	1	1	1
303	2299197	1	387	42	1	1	1
304	2299198	1	387	42	1	1	1
305	2299199	1	387	42	1	1	1
306	2299200	1	387	42	1	1	1
307	2299201	1	387	42	1	1	1
308	2299202	1	387	42	1	1	1
309	2299203	1	387	42	1	1	1
310	2299204	1	387	42	1	1	1
311	2299205	1	387	42	1	1	1
312	2299206	1	387	42	1	1	1
313	2299207	1	387	42	1	1	1
314	2299208	1	387	42	1	1	1
315	2299209	1	387	42	1	1	1
316	2299210	1	387	42	1	1	1
317	2299211	1	387	42	1	1	1
318	2299212	1	387	42	1	1	1
319	2299213	1	387	42	1	1	1
320	2299214	1	387	42	1	1	1
321	2299215	1	387	42	1	1	1
322	2299216	1	387	42	1	1	1
323	2299217	1	387	42	1	1	1
324	2299218	1	387	42	1	1	1
325	2299219	1	387	42	1	1	1
326	2299220	1	387	42	1	1	1
327	2299221	1	387	42	1	1	1
328	2299222	1	387	42	1	1	1
329	2299223	1	387	42	1	1	1
330	2299224	1	387	42	1	1	1
331	2299225	1	387	42	1	1	1
332	2299226	1	387	42	1	1	1
333	2299227	1	387	42	1	1	1
334	2299228	1	387	42	1	1	1
335	2299229	1	387	42	1	1	1
336	2299230	1	387	42	1	1	1
337	2299231	1	387	42	1	1	1
338	2299232	1	387	42	1	1	1
339	2299233	1	387	42	1	1	1
340	2299234	1	387	42	1	1	1
341	2299235	1	387	42	1	1	1
342	2299236	1	387	42	1	1	1
343	2299237	1	387	42	1	1	1
344	2299238	1	387	42	1	1	1
345	2299239	1	387	42	1	1	1
346	2299240	1	387	42	1	1	1
347	2299241	1	387	42	1	1	1
348	2299242	1	387	42	1	1	1
349	2299243	1	387	42	1	1	1
350	2299244	1	387	42	1	1	1
351	2299245	1	387	42	1	1	1
352	2299246	1	387	42	1	1	1
353	2299247	1	387	42	1	1	1
354	2299248	1	387	42	1	1	1
355	2299249	1	387	42	1	1	1
356	2299250	1	387	42	1	1	1
357	2299251	1	387	42	1	1	1
358	2299252	1	387	42	1	1	1
359	2299253	1	387	42	1	1	1
360	2299254	1	387	42	1	1	1

INDUSTRIALS (Miscel.)—Contd.

No.	Stock	Price	Net	Vol.	High	Low
141	141 American 100	41	3	18	7	10
142	142 American 100	41	3	18	7	10
143	143 American 100	41	3	18	7	10
144	144 American 100	41	3	18	7	10
145	145 American 100	41	3	18	7	10
146	146 American 100	41	3	18	7	10
147	147 American 100	41	3	18	7	10
148	148 American 100	41	3	18	7	10
149	149 American 100	41	3	18	7	10
150	150 American 100	41	3	18	7	10
151	151 American 100	41	3	18	7	10
152	152 American 100	41	3	18	7	10
153	153 American 100	41	3	18	7	10
154	154 American 100	41	3	18	7	10
155	155 American 100	41	3	18	7	10
156	156 American 100	41	3	18	7	10
157	157 American 100	41	3	18	7	10
158	158 American 100	41	3	18	7	10
159	159 American 100	41	3	18	7	10
160	160 American 100	41	3	18	7	10
161	161 American 100	41	3	18	7	10
162	162 American 100	41	3	18	7	10
163	163 American 100	41	3	18	7	10
164	164 American 100	41	3	18	7	10
165	165 American 100	41	3	18	7	10
166	166 American 100	41	3	18	7	10
167	167 American 100	41	3	18	7	10
168	168 American 100	41	3	18	7	10
169	169 American 100	41	3	18	7	10
170	170 American 100	41	3	18	7	10
171	171 American 100	41	3	18	7	10
172	172 American 100	41	3	18	7	10
173	173 American 100	41	3	18	7	10
174	174 American 100	41	3	18	7	10
175	175 American 100	41	3	18	7	10
176	176 American 100	41	3	18	7	10
177	177 American 100	41	3	18	7	10
178	178 American 100	41	3	18	7	10
179	179 American 100	41	3	18	7	10
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181	181 American 100	41	3	18	7	10
182	182 American 100	41	3	18	7	10
183	183 American 100	41	3	18	7	10
184	184 American 100	41	3	18	7	10
185	185 American 100	41	3	18	7	10
186	186 American 100	41	3	18	7	10
187	187 American 100	41	3	18	7	10
188	188 American 100	41	3	18	7	10
189	189 American 100	41	3	18	7	10
190	190 American 100	41	3	18	7	10
191	191 American 100	41	3	18	7	10
192	192 American 100	41	3	18	7	10
193	193 American 100	41	3	18	7	10
194	194 American 100	41	3	18	7	10
195	195 American 100	41	3	18	7	10
196	196 American 100	41	3	18	7	10
197	197 American 100	41	3	18	7	10
198	198 American 100	41	3	18	7	10
199	199 American 100	41	3	18	7	10
200						

[illegible][illegible]

1583	544	500	1450	+12	NO100	0.4	30
500	135	500	500	+2	76.01	4.5	16 15

[illegible]

E7204	E370	Alvarez AG DM50...	E719	-4	2.4%	2.1	0.9	69
161	74	Allied Ins. Brs... y	142	-2	2.5	3.2	2.3	17
E243	E163	American Gen Corp	E221	+2	2.0%	1.0	1.0	17

[illegible]

مكتبة

TEXTILES—Contd | TRUSTS, FINANCE, LAND

MINES—Contd

ADVERTISING Cont'd									
High	Low	Stock	Price	Net	Div	Yield	P/E	High	Low
100	100	100	100	100	100	100	100	100	100
101	101	101	101	101	101	101	101	101	101
102	102	102	102	102	102	102	102	102	102
103	103	103	103	103	103	103	103	103	103
104	104	104	104	104	104	104	104	104	104
105	105	105	105	105	105	105	105	105	105
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121	121	121	121	121	121	121	121	121	121
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127	127	127	127	127	127	127	127	127	127
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240	240	240	240	240	240	240	240	240	240
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242	242	242	242	242	242	242	242	242	242
243	243	243	243	2					

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound ends above day's lows

STERLING WEAKENED on the foreign exchanges yesterday with attention focused on the pound's value against the D-Mark. Nevertheless, traders noted that the British currency bounced off the day's low of DM3.0500 to close at DM3.0550, compared with DM3.0500 on Wednesday.

Sterling has declined from around DM3.11 earlier this week, but the view in the City was reasonably optimistic yesterday, after it closed above a support level of DM3.0500. It was widely suggested that this level is likely to hold and that several negative factors are now out of the market.

There have been three main reasons for the pound's decline, according to dealers. The first was rumours that the UK authorities were unhappy with the recent rise and looked to cap the currency below DM3.12 for reasons of competitiveness. The second was that there had been a rise in the yield on the high yielding Australian dollar against sterling, and the third was that UK clearing banks have sold the pound to make provisions against losses on dollar portfolio involving third world debt. It has been rumoured that the Bank of England sold sterling against the D-Mark earlier this week, but action by the authorities yesterday all but quashed this suggestion.

£ IN NEW YORK

	Aug. 3	Latest	Previous
Spot	1.6310-1.6320	1.6550-1.6560	
1 month	0.66-0.6550	0.75-0.7550	
3 months	1.55-1.5550	2.21-2.2150	
12 months	7.40-7.3500	7.47-7.3750	

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug. 3	Latest	Previous
8.30 am	92.3	92.3	
9.00 am	92.4	92.4	
10.00 am	92.2	92.2	
11.00 am	92.2	92.2	
12.00 pm	92.1	92.1	
1.00 pm	92.1	92.1	
2.00 pm	92.1	92.1	
3.00 pm	92.0	92.0	

CURRENCY RATES

	Aug. 3	Latest	Previous
US dollar	1.6310-1.6320	1.6550-1.6560	
Canadian dollar	1.2750-1.2760	1.3100-1.3110	
Australian dollar	1.6310-1.6320	1.6550-1.6560	
Swiss franc	1.6310-1.6320	1.6550-1.6560	
Japanese yen	1.6310-1.6320	1.6550-1.6560	
Deutsche mark	1.6310-1.6320	1.6550-1.6560	
French franc	1.6310-1.6320	1.6550-1.6560	
Italian lira	1.6310-1.6320	1.6550-1.6560	
Spanish peseta	1.6310-1.6320	1.6550-1.6560	
Portuguese escudo	1.6310-1.6320	1.6550-1.6560	
Belgian franc	1.6310-1.6320	1.6550-1.6560	
Dutch guilder	1.6310-1.6320	1.6550-1.6560	
Scandinavian currencies	1.6310-1.6320	1.6550-1.6560	

Commercial rates taken towards the end of London trading. UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currencies. Sterling rate is for convertible francs. Financial Press 29.10.92.

CURRENCY MOVEMENTS

	Aug. 3	Latest	Previous
Sterling	92.0	92.0	
US dollar	1.6310-1.6320	1.6550-1.6560	
Canadian dollar	1.2750-1.2760	1.3100-1.3110	
Australian dollar	1.6310-1.6320	1.6550-1.6560	
Swiss franc	1.6310-1.6320	1.6550-1.6560	
Japanese yen	1.6310-1.6320	1.6550-1.6560	
Deutsche mark	1.6310-1.6320	1.6550-1.6560	
French franc	1.6310-1.6320	1.6550-1.6560	
Italian lira	1.6310-1.6320	1.6550-1.6560	
Spanish peseta	1.6310-1.6320	1.6550-1.6560	
Portuguese escudo	1.6310-1.6320	1.6550-1.6560	
Belgian franc	1.6310-1.6320	1.6550-1.6560	
Dutch guilder	1.6310-1.6320	1.6550-1.6560	
Scandinavian currencies	1.6310-1.6320	1.6550-1.6560	

Morgan Guaranty changes: average 1980-1992-100. Bank of England changes: 1980-1992-100. Rates are for Aug. 2.

OTHER CURRENCIES

	Aug. 3	Latest	Previous
Argentine	1.6310-1.6320	1.6550-1.6560	
Australian	1.6310-1.6320	1.6550-1.6560	
Belgian	1.6310-1.6320	1.6550-1.6560	
British	1.6310-1.6320	1.6550-1.6560	
Canadian	1.2750-1.2760	1.3100-1.3110	
Dutch	1.6310-1.6320	1.6550-1.6560	
French	1.6310-1.6320	1.6550-1.6560	
German	1.6310-1.6320	1.6550-1.6560	
Italian	1.6310-1.6320	1.6550-1.6560	
Japanese	1.6310-1.6320	1.6550-1.6560	
Portuguese	1.6310-1.6320	1.6550-1.6560	
Spanish	1.6310-1.6320	1.6550-1.6560	
Swiss	1.6310-1.6320	1.6550-1.6560	
US dollar	1.6310-1.6320	1.6550-1.6560	
Yen	1.6310-1.6320	1.6550-1.6560	

MONEY MARKETS

Yield curve flattens

THERE WAS a further flattening of the reverse yield curve on the London money market yesterday. Dealers now see little prospect of a cut in UK bank base rates for several months, and possibly not this year. This has created a yield structure with little difference in rates for periods between one and five months.

Three-month interbank eased slightly to 13 1/2-13 3/4 per cent yesterday, from 13 1/2-13 3/4 per cent on Wednesday, but the weaker pound and fading hopes of lower interest rates led to a rise to 13 1/2-13 3/4 per cent from 13 1/4-13 1/2 per cent in 12-month money.

The Bank of England initially forecast a money market credit shortage of £550m, but revised this to £800m at noon and back to £550m in the afternoon. Total help of only £370m was provided.

Before lunch the authorities bought £55m bank bills in band 1 at 13 1/2 per cent. In the afternoon another £120m bills were purchased, by way of £48m Treasury bills in band 1 at 13 1/2 per cent and £72m bank bills in band 1 at 13 1/2 per cent. Late assistance of around £195m was also provided.

Bills maturing in official

don the pound had fallen 2.05 cent to \$1.6450. It also declined to \$2.2500 from \$2.2650; to \$2.2640 from \$2.2675; and to \$2.2675 from \$2.2700. Sterling's exchange rate index fell 0.7 to 92.0, after touching a low of 91.5 in the early afternoon.

The dollar was generally firmer, rising above resistance against the D-Mark at DM1.8600 and failing to test strong support at Y136.50 in terms of the yen. Trading was quiet, lacking fresh factors. Dealers are waiting for today's data on July US employment for further guidance on whether the US is heading into recession.

The dollar rose to DM1.8660 from DM1.8515 at the close in London. It also advanced to Y136.90 from Y136.10; to SFR1.8065 from SFR1.8020; and to FF6.3235 from FF6.2725. According to the Bank of England the dollar's index rose to 92.8 from 92.4.

At the end of trading in Lon-

EMS EUROPEAN CURRENCY UNIT RATES

	Aug. 3	Latest	Previous
Belgian franc	1.6310-1.6320	1.6550-1.6560	
Dutch guilder	1.6310-1.6320	1.6550-1.6560	
French franc	1.6310-1.6320	1.6550-1.6560	
German mark	1.6310-1.6320	1.6550-1.6560	
Italian lira	1.6310-1.6320	1.6550-1.6560	
Spanish peseta	1.6310-1.6320	1.6550-1.6560	
Portuguese escudo	1.6310-1.6320	1.6550-1.6560	
Belgian franc	1.6310-1.6320	1.6550-1.6560	
Dutch guilder	1.6310-1.6320	1.6550-1.6560	
French franc	1.6310-1.6320	1.6550-1.6560	
German mark	1.6310-1.6320	1.6550-1.6560	
Italian lira	1.6310-1.6320	1.6550-1.6560	
Spanish peseta	1.6310-1.6320	1.6550-1.6560	
Portuguese escudo	1.6310-1.6320	1.6550-1.6560	

Changes are for £1, therefore positive change denotes a weak currency adjustment, calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

	Aug. 3	Latest	Previous
US dollar	1.6310-1.6320	1.6550-1.6560	
Canadian dollar	1.2750-1.2760	1.3100-1.3110	
Australian dollar	1.6310-1.6320	1.6550-1.6560	
Swiss franc	1.6310-1.6320	1.6550-1.6560	
Japanese yen	1.6310-1.6320	1.6550-1.6560	
Deutsche mark	1.6310-1.6320	1.6550-1.6560	
French franc	1.6310-1.6320	1.6550-1.6560	
Italian lira	1.6310-1.6320	1.6550-1.6560	
Spanish peseta	1.6310-1.6320	1.6550-1.6560	
Portuguese escudo	1.6310-1.6320	1.6550-1.6560	
Belgian franc	1.6310-1.6320	1.6550-1.6560	
Dutch guilder	1.6310-1.6320	1.6550-1.6560	
Scandinavian currencies	1.6310-1.6320	1.6550-1.6560	

Commercial rates taken towards the end of London trading. UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currencies. Sterling rate is for convertible francs. Financial Press 29.10.92.

EURO CURRENCY INTEREST RATES

	Aug. 3	Latest	Previous
Sterling	92.0	92.0	
US dollar	1.6310-1.6320	1.6550-1.6560	
Canadian dollar	1.2750-1.2760	1.3100-1.3110	
Australian dollar	1.6310-1.6320	1.6550-1.6560	
Swiss franc	1.6310-1.6320	1.6550-1.6560	
Japanese yen	1.6310-1.6320	1.6550-1.6560	
Deutsche mark	1.6310-1.6320	1.6550-1.6560	
French franc	1.6310-1.6320	1.6550-1.6560	
Italian lira	1.6310-1.6320	1.6550-1.6560	
Spanish peseta	1.6310-1.6320	1.6550-1.6560	
Portuguese escudo	1.6310-1.6320	1.6550-1.6560	
Belgian franc	1.6310-1.6320	1.6550-1.6560	
Dutch guilder	1.6310-1.6320	1.6550-1.6560	
Scandinavian currencies	1.6310-1.6320	1.6550-1.6560	

Long term Eurodollar: two years 8 1/4-8 1/2 per cent; three years 8 1/4-8 1/2 per cent; four years 8 1/4-8 1/2 per cent; five years 8 1/4-8 1/2 per cent; six years 8 1/4-8 1/2 per cent; seven years 8 1/4-8 1/2 per cent; eight years 8 1/4-8 1/2 per cent; nine years 8 1/4-8 1/2 per cent; ten years 8 1/4-8 1/2 per cent.

EXCHANGE RATE MOVEMENTS

	Aug. 3	Latest	Previous
Sterling	92.0	92.0	
US dollar	1.6310-1.6320	1.6550-1.6560	
Canadian dollar	1.2750-1.2760	1.3100-1.3110	
Australian dollar	1.6310-1.6320	1.6550-1.6560	
Swiss franc	1.6310-1.6320	1.6550-1.6560	
Japanese yen	1.6310-1.6320	1.6550-1.6560	
Deutsche mark	1.6310-1.6320	1.6550-1.6560	
French franc	1.6310-1.6320	1.6550-1.6560	
Italian lira	1.6310-1.6320	1.6550-1.6560	
Spanish peseta	1.6310-1.6320	1.6550-1.6560	
Portuguese escudo	1.6310-1.6320	1.6550-1.6560	
Belgian franc	1.6310-1.6320	1.6550-1.6560	
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EXCHANGE RATE MOVEMENTS

its estimate of the annual inflation rate to 3.0 per cent from 3.1 per cent.

In Zurich the Swiss National Bank set its floating Lombard rate at 8% per cent, against 8% per cent on Wednesday.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 37

NYSE COMPOSITE PRICES

12 Month	High	Low	Stock	Div. Yld. %	100 High	Low	Close	Prev.	Change	12 Month	High	Low	Stock	Div. Yld. %	100 High	Low	Close	Prev.	Change
Continued from previous page																			
81	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
82	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
83	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
84	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
85	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
86	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
87	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
88	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
89	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
90	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
91	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
92	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
93	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
94	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
95	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
96	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
97	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
98	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
99	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
100	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0

AMEX COMPOSITE PRICES

12 Month	High	Low	Stock	Div. Yld. %	100 High	Low	Close	Prev.	Change	12 Month	High	Low	Stock	Div. Yld. %	100 High	Low	Close	Prev.	Change
Continued from previous page																			
101	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
102	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
103	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
104	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
105	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
106	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
107	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
108	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
109	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
110	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
111	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
112	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
113	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
114	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
115	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
116	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
117	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
118	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
119	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
120	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0

OVER-THE-COUNTER

Nasdaq national market,
3pm prices August 3

12 Month	High	Low	Stock	Div. Yld. %	100 High	Low	Close	Prev.	Change	12 Month	High	Low	Stock	Div. Yld. %	100 High	Low	Close	Prev.	Change
Continued from previous page																			
121	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
122	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
123	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
124	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
125	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
126	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
127	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
128	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
129	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
130	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
131	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
132	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
133	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
134	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
135	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
136	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
137	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
138	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
139	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
140	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
141	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
142	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
143	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
144	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
145	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
146	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
147	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
148	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
149	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0
150	10	10	AT&T	5.2	100	100	100	100	0	11	11	11	11	11	11	11	11	11	0

It's attention to detail

has provided the Financial Times to become the most widely read financial newspaper in the world. The Financial Times is a daily newspaper published in London, England, and is one of the most influential financial newspapers in the world. It is known for its comprehensive coverage of financial news, including stock prices, company earnings, and economic data. The Financial Times is also known for its high-quality journalism and its commitment to providing accurate and timely information to its readers.

AMERICA

Trade cautious before jobs figures

Wall Street

WITH attention on Wall Street firmly focused on today's release of July's unemployment data, yesterday's equity market was narrowly mixed in cautious trading, writes Karen Zagar in New York.

The Dow Jones Industrial Average rose 4.17 points to close at 2661.61. Volume was moderate, with 170.3m shares changing hands on the New York Stock Exchange. Advancing issues outpaced those declining by 849 to 623.

Among other important indices the Standard & Poor's 500 closed up 0.4 points at 344.74, the NYSE Composite was up 0.31 points at 122.09 and the AMEX Composite was up 1.34

points at 376.82.

The NASDAQ Composite rose 2.85 to 456.93, an all-time high. In the debt market, profit-taking before the important employment data pushed the Treasury's benchmark 30-year bond down 2 of a point.

The 0.1 per cent drop in June's leading economic indicators was too modest to move yesterday's markets. The July employment figures, released this morning, will provide the first broad-based look at the economic environment in July. If the increase in non-farm payroll is widely different from the expected 158,000, both bond and stock markets will react accordingly.

Among featured issues, Home Shopping Network

recouped some of its losses to trade up 8 1/2 at \$34. Shares in the company had fallen \$1 on Wednesday after a Florida court ordered the company to pay \$20m to GTE.

Amax, the natural resources group, lost 3 1/2 at \$25. The company has bid \$2.35bn for Falconbridge, the diversified Canadian mining company.

British Airways dropped 1 1/2 to \$32 1/2 on the New York Stock Exchange, in spite of an increase of 18.5 per cent in first quarter pretax profits.

Bullish reports from analysts helped push Walt Disney shares to new highs, at \$120 1/2, up 8 1/2.

Ashland Oil added 1 1/2 to \$38 1/2, Nicorette gained 1 1/2 to \$39 1/2, and Oracle Systems jumped \$1 to \$18 1/2. All three

benefited from being added to the S&P 500 index.

Warner Communications, ASA Limited and Ideal Basic Industries were removed from the S&P 500. All three have agreed to be taken over.

Warner was up 5 1/2 at \$66 1/2, ASA was down 3 1/2 at \$43 1/2, and Ideal Basic plunged 8 1/2 to \$1 1/2.

Boeing fell 5 1/2 at \$50 1/2. It is being investigated for allegedly overcharging the US Department of Defense.

DI Giorgio, a food packing company, lost 3 1/2 to \$34 1/2 after receiving a takeover offer of \$32-a-share.

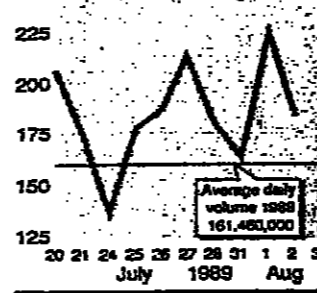
Canada

THE key Bank of Canada rate rose to 12.40 per cent from 12.36 per cent, contributing to list-

NYSE volume

Daily (million)

250



less trading on the Toronto stock market which closed flat with the composite index up 0.5 at 3,981.0. Advances outpaced declines, 325 to 311, on volume of 28m shares.

Cineplex Odeon rose 3 1/2 to \$34 1/2 after gaining C\$3 on Wednesday, when it said it was reviewing potential buyers.

Zimbabwe's confidence survives issue surprise

But rising inflation may mean the bull market is running out of steam, writes Tony Hawkins

THE DISAPPOINTING partial subscription last month to the public offering in Tabex, a leading tobacco company, comes as Zimbabwe shares are enjoying a bull market.

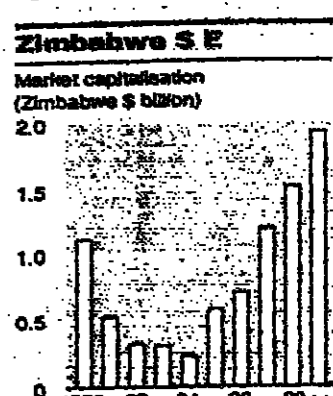
They took off in the second half of 1987, shrugged off the October crash, and have barely paused for breath since. Although the failure of the Tabex issue surprised the market, there are signs that the best may soon be over.

The industrials index, comprising 48 companies, moved sharply higher immediately after independence in April 1980 to reach a peak of 487 in February 1981. It then went into prolonged decline, reflecting the doubling of interest rates, growing doubts over the Mugabe Government's economic policies, successive droughts and world recession.

reflecting the revaluation of assets and earnings in local currency terms as the Zimbabwe dollar depreciates.

There is no simple measure of market liquidity, but the volume of funds seeking an investment home remains very large. This is in spite of heavy domestic funding of the Government's 281.2m budget deficit and central bank actions to sterilise excess liquidity through the issue of non-interest-bearing, non-negotiable Reserve Bank bills. Liquidity has been further boosted by a 19 per cent rise in exports last year and a budget deficit that exceeds 11 per cent of gross domestic product.

Institutional funds have grown as more people have joined pension schemes or taken out life insurance policies. Equity and property investment is also encouraged by a policy of negative real interest rates.



are falling to revalue their assets in line with inflation in the capital goods market, which is far higher than retail inflation; but more ominously it could mean that they are not renewing and updating their capital stock.

Either way, the return on capital employed looks fragile, since it would be lowered by both revaluations of capital and heavy new investment in capacity.

In spite of the Tabex setback, other new and rights issues are going ahead and the issue market seems set to enjoy its most active period since independence.

Institutional funds have grown as more people have joined pension schemes. Equity and property investment is also encouraged by a policy of negative real interest rates.

reaching a low of just over 100 in August 1984.

Two years ago, the index had recovered to the 320 level, and since then it has more than doubled, breaking the 700 barrier in early July.

There are three main reasons for the recent strength: the devaluation of the Zimbabwe dollar, excess market liquidity and improved corporate profits.

At independence, 9 1/2 years ago, the market was capitalised at \$393.5m (then US\$1.45bn), plummeting to \$22.5m in mid-1984 but currently standing at \$31.93bn (now US\$900m). While the Zimbabwe dollar valuation has more than doubled since 1980, capitalisation in US dollars has declined by almost 40 per cent

When profits were at their lowest in 1984, the gross dividend yield (before 20 per cent shareholders' tax on dividends) rose to 22 per cent. Since then, the market recovery has comfortably outpaced dividend growth, so that by mid-1989 the average yield on industrials was down to 6.8 per cent - roughly half the official inflation rate, which even government ministers acknowledge substantially underestimates the true rate of price rises.

The corporate profit performance is much distorted by inflationary pressures, exaggerating profitability on the one side, and by tight government price controls - partially eased in mid-July - on the other.

However, ZSE figures show that, when adjusted for inflation, the total assets of the 48 industrial companies are no higher than in 1980. This could simply mean that companies

The downside is that as inflation gathers momentum, the authorities will have to tighten their monetary stance. This, together with a long-promised trade liberalisation strategy and financial deregulation, could change the market situation radically.

Yields are already well below the inflation rate, and, more importantly, with inflationary expectations on the rise, this gap is widening. As more new issues come forward over the next year, as profits become harder to earn in a more competitive economy and as monetary policy is tightened, so the bull market is likely to run out of steam.

The big question is whether a market downturn will undermine the flow of new and rights issues or be delayed until after the new paper has been safely absorbed.

EUROPE

Rally by Fiat pushes Milan into higher gear

FIAT shares led a strong rise in Milan, but profit-takers were at work in many other bourses, writes Our Markets Staff.

MILAN rose to another high as strong interest in Fiat took over from initial fears that the large volume of call options on the car company's stock would be exercised, and depress the cash market before next Friday's expiry date.

The market easily absorbed the selling and, having closed L54 higher at L11.252, Fiat rallied to L11.380 in busy after-hours trading. There were thoughts that Fiat could be executing part of the L1,000bn stock buy-back programme approved at the end of June.

Meanwhile, Pirelli & C, the holding company of the Pirelli family, rose L2.75 to L9.186 on rumours of a major shareholding reshuffle. Banca Commerciale Italiana rallied L1.64 to L5.470, while Credito Italiano added L2.5 to close at L3.844.

Speculators are still buying banks in anticipation of a possible realignment in the sector.

At the close, the Comit index was up 4.14 to 885.31, a gain of 13 per cent since the end of May. Mr Roberto Morelli of

County NatWest WoodMac notes that Italian unit trusts, in July, saw their lowest net outflow of funds for two years.

Within that, equity funds have seen their first net inflow and this, he thinks, could be the turnaround. "If the improvement is sustained," he says, "we expect to it to encourage foreign investments into the market."

FRANKFURT slipped back as profit-taking gathered pace after two days of strong rises. The sellers were mostly nimble-footed professional traders and domestic fund managers looking to the short-term, said an analyst.

Deutsche Bank, which had experienced a good run over the last month, fell 2 per cent, losing DM14.50 to DM67.3. It reported an expected 20 per cent rise in group total operating profit and a 42 per cent gain in parent partial operating profits in the first half. The bank said a rise in commission earnings from its equities and bonds business had contributed to the profits gain.

Chemical issues, which underperformed last month, rose against the trend in heavy

trading, with Bayer, the most active issue, gaining DM9 to DM311, BASF up DM6.10 to DM297.40 and Hoechst adding DM3 to DM203.50. The analyst said that some buyers had spotted that the dividend yields of the big chemical stocks looked attractive compared with bond yields.

Linotype, the typesetting equipment maker which reported a 27 per cent increase in first-half group net profits, fell DM12 to DM756. The company predicted a good full year, but suggested second half growth might not be as strong as in the first half.

The DAX index lost 12.47 to 1,574.89 and the FAZ index eased 5.74 to 643.95. Turnover was a little lower but still very active at DM6.6bn.

ZURICH pushed up again with renewed enthusiasm for industrials. However, the insurance sector experienced scattered profit-taking, suggesting to some observers that few investors are willing to accelerate beyond the cautiously upward gain which they have adopted since the beginning of June.

The Credit Suisse index

ended at 646.6 compared with the 640.7 last computed on Monday, partly due to Tuesday's holiday, and partly to technical problems.

AMSTERDAM eased on profit-taking after a good start and Akzo lost F1.10 of its early gains to close at F1.459.50, up 50 cents. The chemical company posted a 14 per cent increase in first half net profits before the start of trading, forecast "substantially higher" earnings for the year and was the most actively traded stock.

OSLO fell on worries about fluctuating oil prices and further consideration of company results, and the composite index dropped 6.49 to 499.62.

Analysts said that last week's Norsk Hydro results had started the rot, and that Wednesday's figures from Elkem and Dyrco Industrier were not as good as they looked, due partly to distortion by capital profits. "The Oslo market has risen 45 per cent this year, and now we may be at a turning point," said one observer.

BRUSSELS, on the other hand, reached its fourth consecutive high on the cash mar-

ket, adding 36.25 points to end at 6,245.02. Sofina, seen as an undervalued situation, once again led the rally with a rise of BF725 to BF14,475 after a BF625 gain on Wednesday.

PARIS continued to consolidate, with the indices ending slightly weaker and volume estimated by one house at FF1.5bn-FF1.7bn. But the opening CAC General index, reflecting the previous day's trading, pushed ahead to another high of 506.8, up 0.3.

Among the few features, Elf Aquitaine lost FF2 to FF95 on heavy trading of 158,000 shares; weaker oil prices were blamed for some of the selling.

Eurotunnel shed FF3.60 to FF90.10 in active turnover following news of the inquiry into heavy trading in the stock last month in the run-up to the announcement that the group was seeking additional cash.

The CME 50 index was off 1.55 at 513.17 and the CAC 40 index closed 3.18 lower at 1,825.46.

MADRID firmed for the fourth day running, again helped by strength in the banking sector. The general index edged up 0.90 to 307.77.

SOUTH AFRICA

FOREIGN investors helped push Johannesburg higher, although profit-taking trimmed gains. Gold and platinum issues were strong.

ASIA PACIFIC

Profit-taking sets in as enthusiasm wanes

Tokyo

BUYING enthusiasm fizzled out as the market failed to provide investors with further incentives, and share prices retreated on a bout of profit-taking, writes Michiko Nakano in Tokyo.

The Nikkei average suffered from selling by index funds towards midday and finished 119.53 lower at 34,779.81. The day's high was 34,928.53 while the low was 34,699.47.

Losses far outpaced gains by 600 to 322, while 173 issues were unchanged. Turnover slipped to a sluggish 501m shares from the 817m traded on Wednesday. The Topix index of all listed shares dropped 16.55 to 2,616.69; in London trading the ISE/Nikkei 50 index eased 2.68 to 2,061.08.

A lack of incentives led investors on a round of small lot selling. In spite of dealers' efforts to talk up the improving economic environment, the mood was decidedly less cheerful than it had been during the rally last week, immediately after the national election to the Diet (parliament).

Forecasts were still bullish, as the yen-dollar rate was expected to be fairly stable for some time and the stronger yen was likely to lead to lower short-term interest rates in the near future. Analysts also pointed to the huge amount of

investors' funds still available, which should eventually find their way into the market.

Profit-taking saw many issues which had made strong gains recently lose ground. Railway company Tokyu Corp, which had gained almost 20 per cent in the past two weeks partly because of speculation that shares that had belonged to the late chairman would be returned to the company, lost Y10 to Y1,860. It was the second most actively traded stock with 11m shares.

Non-life insurance companies failed to sustain their rally of the previous day, with Nippon Fire and Marine and Yamaichi Fire and Marine each falling Y10 to Y1,390 and Y1,540 respectively.

Buying interest focused on laggards, particularly in the high-technology sector, or was speculative. Among the laggards, Kyocera rebounded Y60 to Y6,320 after falling 7 per cent from its year's high of Y6,740, reaching last week's high.

Shiseido, the cosmetics company, attracted considerable interest as a laggard and appeared on the list of 10 most active issues. It has a price/earnings ratio of 50, low for the market, and has been in the doldrums since the autumn of 1987. Yesterday it breached Y2,000 for the first time in 15 months, closing up Y30 at Y2,020.

Interest in issues with spe-

cific incentives supported a 45.40 point gain in Osaka that lifted the OSE average to 34,228.29. Volume fell to 51m shares from 71m. Nintendo surged Y900 to Y1,370 on the strength of strong sales of television video games.

Roundup

INTEREST rate cuts and a flurry of interest in resource stocks contributed to highs in several Asia Pacific markets.

HONG KONG powered through the 2,600 barrier yesterday, the Hang Seng index surging 51.75 points to 2,634.58 on speculation about an imminent interest rate cut, and growing confidence in the local economy. The index is still more than 40 points below its pre-June 4 levels.

Property shares continued to register the sharpest advances, Sun Hung Kai rising 40 cents to HK\$10.80, Hongkong Land 30 cents to HK\$9.45 and Cheung Kong 20 cents to HK\$8.55.

Wharf Holdings, which won the colony's cable-TV franchise on Tuesday, continued its roll, moving up 10 cents to HK\$9.05.

Cathay Pacific Airways, which announced a marketing alliance on Wednesday with American Airlines of the US, rose 20 cents to HK\$8.65.

AUSTRALIA climbed back to where it was almost a year ago, moving to a post-crash high as offshore buying pushed

mining and resource issues sharply higher before a late bout of profit-taking. The All Ordinaries index closed 19.7 points higher at 1,664.6 against a previous post-crash high of 1,657.1 on August 9, 1988.

The US\$2.4bn Amax bid for the Canadian mining concern, Falconbridge, sparked the surge in resource issues, with a perception that domestic interest rates have peaked is also boosting investor confidence. Turnover jumped to 146m shares valued at A\$323m from 101m and A\$226m.

Among mining issues, CRA jumped 21 cents to A\$10.15 and its subsidiary, Bougainville Copper, added another 5 cents to A\$2.

NEW ZEALAND shot up, the Barclays index gaining 99.04 points to a post-crash high of 2,127.48 in heavy turnover, on last week's budget statement and the fall in interest rates which followed it.

Turnover climbed to NZ\$54m from NZ\$31m on Wednesday. Brierley Investments surged another 11 cents to NZ\$5.10.

TAIWAN's weighted index rose 143.98 to 9,807.58 after its increase of 190.65 on Wednesday. It surged above the 9,900 level six times yesterday, but failed to stay above it.

SINGAPORE eased as profit-taking wiped out early gains, with the Straits Times index ending 2.66 lower at 1,359.71.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY AUGUST 3 1989							WEDNESDAY AUGUST 2 1989						
	Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling	Local Currency Index	Day's % change local currency	Gross Div. Yield	US Dollar Index	Pound Sterling	Local Currency Index	1989 High	1989 Low	Year ago (approx)	
Australia (85)	147.10	+0.8	132.74	127.34	+0.8	4.68	145.93	130.06	126.27	157.12	128.28	148.00		
Austria (19)	134.30	+0.6	121.19	130.18	+1.4	1.87	133.48	118.96	128.40	134.30	92.84	88.14		
Belgium (63)	137.93	+0.0	124.38	133.17	+0.9	4.11	137.97	122.98	132.01	137.97	125.58	113.60		
Canada (124)	151.95	+0.4	137.12	128.80	+0.0	3.10	151.39	134.82	128.86	151.95	124.67	123.70		
Denmark (26)	215.79	-1.6	194.12	212.78	-0.8	1.47	219.30	195.45	214.53	215.89	165.35	125.02		
Finland (35)	143.41	-2.1	129.41	126.41	-1.6	2.16	146.44	130.51	128.52	156.16	125.81	128.73		
France (127)	132.38	-0.8	119.45	131.29	+0.0	2.89	133.44	118.92	131.29	133.44	112.57	92.72		
West Germany (100)	98.84	-1.7	89.19	96.89	-0.9	2.13	100.33	89.60	96.87	100.33	79.56	74.94		
Hong Kong (49)	110.78	+1.9	99.95	111.01	+1.8	4.86	108.95	97.01	109.09	140.53	86.41	106.58		
Ireland (17)	158.05	-0.7	142.62	155.84	+0.2	2.69	159.12	141.82	155.54	159.12	125.00	122.59		
Italy (97)	94.25	+0.6	85.05	96.62	+0.6	0.47	94.79	84.48	94.17	94.79	74.97	72.58		
Japan (455)	192.38	-1.3	173.60	166.48	-0.7	0.48	194.89	173.99	167.66	200.11	164.22	167.66		
Malaysia (36)	190.19	-0.2	171.62	195.07	-0.2	2.47	190.58	188.85	185.50	190.58	153.32	152.88		
Mexico (13)	265.22	+1.4	239.33	232.55	+1.6	0.68	261.59	233.10	224.91	277.40	149.32	155.94		
Netherlands (43)	129.41	-1.0	116.78	124.33	-0.1	4.16	130.67	116.46	124.49	130.67	110.63	106.82		
New Zealand (21)	74.88	+4.3	67.56	66.32	+3.8	6.92	71.82	64.01	63.68	76.02	62.64	51.56		
Norway (24)	181.21	-2.4	163.52	168.48	-1.7	1.83	185.63	165.44	171.46	186.39	139.92	120.28		
Singapore (28)	167.65	-0.2	151.28	150.35	-0.2	1.88	158.02	149.76	150.68	167.65	124.57	134.19		
South Africa (60)	153.16	+1.0	138.21	139.21	+1.0	3.87	151.67	135.17	137.85	153.16	115.57	115.96		
Spain (43)	157.57	-0.3	142.18	139.78	+0.5	3.70	158.02	140.84	139.05	158.02	143.14	148.57		
Sweden (39)	168.41	+0.6	158.41	176.41	+0.1	1.95	167.77	152.89	151.58	168.41	138.45	119.12		
Switzerland (64)	92.84	+0.1	83.78	92.47	+0.1	2.04	92.78	86.35	91.58	92.84	78.34	78.34		
United Kingdom (311)	156.33	-1.3	141.07	141.07	-0.1	4.12	158.41	141.19	141.19	158.41	133.28	133.74		
USA (552)	140.38	+0.2	126.67	140.38	+0.2	3.24	140.14	124.90	140.14	140.75	112.13	110.90		
Europe (1005)	131.21	-1.1	118.40	123.19	-0.1	3.59	132.62	118.20	123.26	132.62	112.63	106.08		
Nordic (121)	175.17	-1.2	158.96	162.27	-0.5	1.74	178.38	158.88	163.17	178.38	137.85	113.83		
Pacific Basin (672)	187.54	-1.2	168.23	162.51	-0.6	0.99	189.73	169.10	163.80	189.73	150.44	124.59		
Europe-Pacific (1877)	168.10	-0.1	148.98	146.91	-0.1	1.55	166.98	148.82	147.54	166.98	141.56	141.19		
North America (678)	140.97	+0.2	127.20	139.67	+0.6	3.23	140.71	125.41	138.45	141.19	112.75	111.57		
Europe Ex. UK (894)	115.27	-0.9	104.01	112.15	+0.0	2.73	116.28	103.64	112.19	115.28	93.65	93.65		
Pacific Ex. Japan (217)	125.53	+1.2	118.88	116.98	+1.2	4.49	128.05	114.12	115.65	137.19	111.93	122.83		
World Ex. US (1874)	164.59	-1.1	148.52	146.45	-0.4	1.62	166.39	146.26	147.03	166.39	141.49	140.35		
World Ex. UK (2115)	154.72	-0.8	139.62	144.58	-0.2	1.94	155.66	138.73	145.02	155.66	136.67	129.01		
World Ex. So. Af. (2368)	154.86	-0.7	139.74	144.36	-0.2	2.13	155.92	138.96	144.69	155.92	136.67	129.01		
World Ex. Japan (1971)	137.10	-0.2	123.71	133.11	+0.1	3.32	137.40	122.46	132.94	137.40	114.51	110.37		
The World Index (2426)	154.85	-0.7	139.73	144.32	-0.2	2.14	155.89	138.94	144.64	155.89	136.68	129.03		

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Constituent changes 3/89: Deletions: Scanveng Ring (Norway) and Coalite Group (UK).

